

Modern Illustrative Bookkeeping

COMPLETE COURSE

REVISED AND ENLARGED

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MODERN ILLUSTRATIVE COOKKEEPING

COMPLETE COURSE

BY

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REVISED AND ENLARGED

BY

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PREFACE

This book is designed to teach bookkeeping and accounting in a rational way, and in accordance with the practices of progressive business houses and leading accountants. No time is wasted on unnecessary theorizing. The student is given actual bookkeeping work from the very outset, and is made to feel at all times that his work is similar in reality and importance to that which is done in the business office.

Special attention is called to the teaching plan of the book, which embraces the presentation of one principle at a time, an explanation of the principle, followed by a script illustration, and the employment of the principle in such a way that it may be mastered easily and quickly. Thus the student is grounded thoroughly in the principles, and is given ample practice in bookkeeping and accounting at every stage of the work. The aim of the authors has been to present the subject in such a simple and logical manner that the student can readily understand it.

In the preparation of the transactions which form the basis of the student's work, and in the exercises for supplementary practice, great care was taken to grade them properly and to make them conform to modern business customs.

The models of books, statements, and balance sheets illustrated throughout the book represent the best current forms for the various purposes for which they are designed to be used.

The incoming vouchers, which form a part of the business practice feature of the book, are made out practically complete; and, like the forms for outgoing papers to be filled out by the student, are facsimiles of similar documents used by the best business houses.

The principles of double-entry bookkeeping have undergone no change since they were first introduced several centuries ago, but many changes have taken place since then, and especially during recent years, in the application of these principles, and in bookkeeping and accounting practices.

This book, in its original form, was the first bookkeeping textbook published for use in American schools to present the modern forms of trading, and profit and loss statement, and balance sheet, thereby recognizing the changes which had taken place in these important branches of accounting practice in this country, as the result of the then recent adoption of the corporate form of business. For obvious reasons, the authors omitted the accounting terminology in connection with the new forms, and used bookkeeping terms instead. In this revised edition, accounting terms are used in the more advanced part of the book, and the forms of statements, balance sheets, and books of original entry have been changed to conform with the best current practice.

The entire book has been revised and enlarged, both as regards the text matter and the illustrations, for the student, and the special lines of business treated in the advanced part have been arranged in progressive order.

In the revision of the book, valuable assistance was received from leading mercantile and manufacturing concerns, and from accountants and commercial teachers, to all of whom the authors desire to acknowledge their obligations, and to express their sincere thanks for the courtesies extended.

TO THE STUDENT

Accuracy is the first essential of business; without it you cannot hope to hold a paying position in the commercial world. Accuracy can be acquired only by painstaking, thoughtful work on your part from the start. Read carefully all instructions, and do just as you are told to do.

Do not make mistakes in simple mathematical operations. Errors in addition, subtraction, and multiplication are inexcusable, and will not be tolerated in business. *Verify all additions and multiplications. Know you are right before you go ahead.*

Neatness and Legibility. — A neat, legible style of handwriting which can be executed at a fair rate of speed, and absolute legibility in figures, are necessities in the modern office.

The acquirement of these attainments will necessitate constant practice on the part of most students. The script illustrations in the book are excellent models to follow. Do not allow yourself to do careless and slovenly work either in writing or in making figures.

Ruling should be done in red ink. The metal or thin edge of the ruler should be used to guide the pen, the ruler being placed with the beveled side on the paper and the metal edge up and farthest from you. This will prevent the ink from collecting on the ruler and dropping on the paper. It will also enable you to draw double lines without moving the ruler for the second line, by holding the pen at a slightly different angle.

The ruled lines should be of uniform thickness, neither too heavy nor too light. Many bookkeepers make them about as heavy as the vertical red lines in the blank books; but it is perhaps better to make them about twice as heavy as those lines. In double ruling, the two lines should be reasonably close together, but not so close as to look like one heavy line.

Ruling should be done very neatly and carefully. When so done it will greatly enhance the appearance of a set of books. On the other hand, the appearance of an otherwise neat set of books may be ruined by careless and slovenly ruling.

Details. — Inability to estimate the importance of a thorough mastery of details is the cause of more failures in life than all other causes combined. Learn to pay attention to the little things. Follow your instructions implicitly; do not be content with doing a thing nearly right, but do it exactly right. Remember, "Perfection is made up of trifles, but perfection itself is no trifle." The successful business man must master multitudinous detail.

MODERN ILLUSTRATIVE BOOKKEEPING

Bookkeeping consists in making a systematic record of business transactions.

The Object of Bookkeeping is to show the proprietor at any time whether his business is being conducted at a profit or a loss; to indicate the sources from which the profits and losses arise; and to afford a record of all debts owed by the business, and of all debts due and all property belonging to the business.

Single-Entry Bookkeeping usually provides for keeping accounts with persons only.

Double-Entry Bookkeeping provides for keeping accounts with persons, property, expenses, and allowances.


The Books Required depend upon the nature of the business, but a complete record of any business may be kept in two books—the journal-daybook and the ledger.

The Journal-Daybook contains a record of all transactions in the order in which they took place, and also the names of the accounts affected by each transaction, showing which accounts are debited and which are credited.

The Ledger contains all the accounts named in the journal-daybook, and records the same debits and credits, but in a different arrangement. Each debit is carried from the journal-daybook to the debit or left-hand side of the proper ledger account, and each credit to the credit or right-hand side; so that a ledger account will show all transactions by which that account has been affected in the course of the business as recorded in the journal-daybook.

EXERCISES FOR THE STUDENT

Ex. 1. — On a sheet of journal paper copy neatly the model journal-daybook shown on pages 6 and 7, following carefully the script forms of both letters and figures. Always write the current year in full, instead of 19—.

Ex. 2. — On a sheet of ledger paper, rule clear across the page, in red ink, double lines exactly in the middle of the spaces between blue lines, as  here illustrated. (Read page 4, section on Ruling.)

Ex. 3. — On a sheet of ledger paper copy carefully the model ledger shown on pages 8 and 9, writing four accounts on a page. Make the ledger headings larger than ordinary writing; write each one on a blue line, and center it so that the triple vertical line will come exactly, or nearly, in the middle of the heading. Rule a double red line in the space under each heading, except the one at the top of the page, as in Ex. 2. In the account at the top of the page, write the first entry (month, day, folio, and amount) on each side on the first blue line under the heading, and write the year in the blank space over the month. In other accounts, write the first entry on the second blue line under the heading, and the year on the first blue line, over the month.

Your teacher should not accept your work in these exercises unless the writing is legible and neat, the figures plain, and the ruling accurate.

January 1, 19 -

A. W. B. Trappe	1. He has had 3000 commenced the Flour and Grain business, investing cash \$3000	3000
1. E. J. Jones	2. Paid rent of store 75 for month of Jan.	75
1. W. D. Smith	3. Paid of R. H. Green 700 for cash 200-bu. Flour 3.22	700
1. Cash	4. Sold to E. J. Leach 450 for cash 100-bu. Flour 4.50	450
2. J. R. Allen	5. Sold on account 225 50-bu. Flour 4.50	225
1. A. B. Trappe	6. Drew for private use 50	50
1. W. D. Smith	7. Brought over, 30 bu. 190 2. J. R. Allen & Co. 100 bu. Oats 33.8	190
2. Bill. Rec.	8. Sold to B. J. Taylor on his note of 200 bu. 50-bu. Flour 4.52 300-bu. Oats 36.8	338

January 11, 19 -

1	Widder	Bot. of B. H. Jones	571	
2	Billings	on my mother's acct.		571
		scribes Jones	42	
		in the	571	
1	Cash	Red on acct.	100	
2	J. B. Allen			100
2	J. B. Allen & Co.	Red on acct.	195	
1	Cash			195
1	Widder	Bot. of B. H. Jones	520	
2	Billings	on my mother's acct.		520
		scribes Jones	42	
2	J. B. Allen	Red on acct.	237.50	
1	Widder	scribes Jones	42	237.50
1	Expense	Salaries to date	60	
1	Cash			60

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Castro

175

17.1.7

150

1 173.

163

مساحت 2

2 571

Merchandise

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1225

مفتی محمد رفیع

2 255 2

2. 3. 4. 5. 6. 7. 8. 9. 10. 11. 12. 13. 14. 15. 16. 17. 18. 19. 20. 21. 22. 23. 24. 25. 26. 27. 28. 29. 30. 31. 32. 33. 34. 35. 36. 37. 38. 39. 40. 41. 42. 43. 44. 45. 46. 47. 48. 49. 50. 51. 52. 53. 54. 55. 56. 57. 58. 59. 60. 61. 62. 63. 64. 65. 66. 67. 68. 69. 70. 71. 72. 73. 74. 75. 76. 77. 78. 79. 80. 81. 82. 83. 84. 85. 86. 87. 88. 89. 90. 91. 92. 93. 94. 95. 96. 97. 98. 99. 100. 101. 102. 103. 104. 105. 106. 107. 108. 109. 110. 111. 112. 113. 114. 115. 116. 117. 118. 119. 120. 121. 122. 123. 124. 125. 126. 127. 128. 129. 130. 131. 132. 133. 134. 135. 136. 137. 138. 139. 140. 141. 142. 143. 144. 145. 146. 147. 148. 149. 150. 151. 152. 153. 154. 155. 156. 157. 158. 159. 160. 161. 162. 163. 164. 165. 166. 167. 168. 169. 170. 171. 172. 173. 174. 175. 176. 177. 178. 179. 180. 181. 182. 183. 184. 185. 186. 187. 188. 189. 190. 191. 192. 193. 194. 195. 196. 197. 198. 199. 200. 201. 202. 203. 204. 205. 206. 207. 208. 209. 210. 211. 212. 213. 214. 215. 216. 217. 218. 219. 220. 221. 222. 223. 224. 225. 226. 227. 228. 229. 230. 231. 232. 233. 234. 235. 236. 237. 238. 239. 240. 241. 242. 243. 244. 245. 246. 247. 248. 249. 250. 251. 252. 253. 254. 255. 256. 257. 258. 259. 260. 261. 262. 263. 264. 265. 266. 267. 268. 269. 270. 271. 272. 273. 274. 275. 276. 277. 278. 279. 280. 281. 282. 283. 284. 285. 286. 287. 288. 289. 290. 291. 292. 293. 294. 295. 296. 297. 298. 299. 300. 301. 302. 303. 304. 305. 306. 307. 308. 309. 310. 311. 312. 313. 314. 315. 316. 317. 318. 319. 320. 321. 322. 323. 324. 325. 326. 327. 328. 329. 330. 331. 332. 333. 334. 335. 336. 337. 338. 339. 340. 341. 342. 343. 344. 345. 346. 347. 348. 349. 350. 351. 352. 353. 354. 355. 356. 357. 358. 359. 360. 361. 362. 363. 364. 365. 366. 367. 368. 369. 370. 371. 372. 373. 374. 375. 376. 377. 378. 379. 380. 381. 382. 383. 384. 385. 386. 387. 388. 389. 390. 391. 392. 393. 394. 395. 396. 397. 398. 399. 400. 401. 402. 403. 404. 405. 406. 407. 408. 409. 410. 411. 412. 413. 414. 415. 416. 417. 418. 419. 420. 421. 422. 423. 424. 425. 426. 427. 428. 429. 430. 431. 432. 433. 434. 435. 436. 437. 438. 439. 440. 441. 442. 443. 444. 445. 446. 447. 448. 449. 450. 451. 452. 453. 454. 455. 456. 457. 458. 459. 460. 461. 462. 463. 464. 465. 466. 467. 468. 469. 470. 471. 472. 473. 474. 475. 476. 477. 478. 479. 480. 481. 482. 483. 484. 485. 486. 487. 488. 489. 490. 491. 492. 493. 494. 495. 496. 497. 498. 499. 500. 501. 502. 503. 504. 505. 506. 507. 508. 509. 510. 511. 512. 513. 514. 515. 516. 517. 518. 519. 520. 521. 522. 523. 524. 525. 526. 527. 528. 529. 530. 531. 532. 533. 534. 535. 536. 537. 538. 539. 540. 541. 542. 543. 544. 545. 546. 547. 548. 549. 550. 551. 552. 553. 554. 555. 556. 557. 558. 559. 560. 561. 562. 563. 564. 565. 566. 567. 568. 569. 570. 571. 572. 573. 574. 575. 576. 577. 578. 579. 580. 581. 582. 583. 584. 585. 586. 587. 588. 589. 590. 591. 592. 593. 594. 595. 596. 597. 598. 599. 600. 601. 602. 603. 604. 605. 606. 607. 608. 609. 610. 611. 612. 613. 614. 615. 616. 617. 618. 619. 620. 621. 622. 623. 624. 625. 626. 627. 628. 629. 630. 631. 632. 633. 634. 635. 636. 637. 638. 639. 640. 641. 642. 643. 644. 645. 646. 647. 648. 649. 650. 651. 652. 653. 654. 655. 656. 657. 658. 659. 660. 661. 662. 663. 664. 665. 666. 667. 668. 669. 670. 671. 672. 673. 674. 675. 676. 677. 678. 679. 680. 681. 682. 683. 684. 685. 686. 687. 688. 689. 690. 691. 692. 693. 694. 695. 696. 697. 698. 699. 700. 701. 702. 703. 704. 705. 706. 707. 708. 709. 710. 711. 712. 713. 714. 715. 716. 717. 718. 719. 720. 721. 722. 723. 724. 725. 726. 727. 728. 729. 730. 731. 732. 733. 734. 735. 736. 737. 738. 739. 740. 741. 742. 743. 744. 745. 746. 747. 748. 749. 750. 751. 752. 753. 754. 755. 756. 757. 758. 759. 760. 761. 762. 763. 764. 765. 766. 767. 768. 769. 770. 771. 772. 773. 774. 775. 776. 777. 778. 779. 780. 781. 782. 783. 784. 785. 786. 787. 788. 789. 790. 791. 792. 793. 794. 795. 796. 797. 798. 799. 800. 801. 802. 803. 804. 805. 806. 807. 808. 809. 810. 811. 812. 813. 814. 815. 816. 817. 818. 819. 820. 821. 822. 823. 824. 825. 826. 827. 828. 829. 830. 831. 832. 833. 834. 835. 836. 837. 838. 839. 840. 841.

2 / 50

Expense

2. 4

۱۰۰

2

Don't Mirale

¹²⁻
Jan. 19
Feb. 20

2 3.38

Don't Fayable

¹⁹⁻
Feb. 27

2 3.71

2 3.71

20

2 3.70

J. B. Cion

¹⁷⁻
Jan. 25
25

1 2.25 Jan. 3

1 1.00

2 2.37.50

J. Grant Co.

⁴⁻
Jan. 3

2 1.98

2 1.98

Feb. 2

2 1.98

FLOUR AND GRAIN BUSINESS — JANUARY

JOURNALIZING

Journalizing is the process of determining the debits and credits of business transactions.

General Rule for Journalizing

*DEBIT what comes into the business
or what costs value.*

*CREDIT what goes out of the business
or what produces value.*

Make, on journal paper, the journal-daybook entries required for the following transactions, similar in form to those shown in the model journal-daybook on pages 6 and 7.

No. 1. — JANUARY 1, 19 . . 1 (your name) engage in the Flour and Grain business, investing cash, \$4000.

INSTRUCTIONS. — First write *January 1* and the current year on the blue line at the top of the first page of your journal-daybook. This shows the date of the transaction.

Next consider what account is to be debited. Remember that you should debit what the business receives, or what comes into the business. In this instance cash to the amount of \$4000 has come into the business, hence *Cash* should be debited. Do this by writing the word *Cash* at the left-hand side of the first wide column, and 4000 on the same line in the left-hand money column. The left-hand side is the debit side.

Whatever or whoever produces value for the business should be credited. In this transaction the proprietor has produced value for the business to the amount of \$4000 by giving that sum of money to the business as an investment; hence the *Proprietor* should be credited. Do this by writing your name (you are the proprietor) on the line below the debit entry, about half an inch to the right of where the word *Cash* begins, and writing 4000 in the right-hand money column, on the same line with your name. The right-hand side is the credit side.

In the second wide column write a brief record of the transaction, as in the illustration below; this illustration shows the form of the whole entry, though the amount and the proprietor's name are different.

January 1, 19 -

| | | |
|----------------------|----------------------------|-------------|
| <i>Cash</i> | <i>Commenced the</i> | <i>3500</i> |
| <i>J. H. Leonard</i> | <i>Flour and Grain</i> | <i>3500</i> |
| | <i>business, investing</i> | |
| | <i>cash</i> | |

The daybook part of this entry consists of the explanatory record "Commenced the Flour and Grain Business, investing cash," together with the amount, \$3500. The journal entry would be read or stated as follows: "Cash, To F. W. Leonard, \$3500." The name of the account debited is always read first, followed by the word "To" and the name of the account credited. The amount is named but once.

For the sake of brevity, the journal-daybook is often called simply the journal.

The amount placed in the left-hand money column of your journal (the debit) should be the same as that placed in the right-hand column (the credit); in other words, *your debits and credits should always be equal*. From the bookkeeper's point of view, every business transaction is an exchange of equal values.

Rule 1. — *Debit Cash for all cash received.*

The term "cash" includes specie (gold, silver, nickel, and copper), treasury notes, national bank notes, gold and silver certificates, checks, post-office money orders, express money orders, bank drafts, and certificates of deposit.

Rule 2. — *Credit the Person or with all amounts which he invests in the business.*

No. 2. — JANUARY 2. Paid J. C. Smith \$75 for rent of store for this month.

INSTRUCTIONS. — Rent is one of several expenses incurred in carrying on a business. Whatever costs the business value should be debited. In this instance you have paid \$75 rent for the benefit of the business. This expense has cost the business value, hence *Expense* should be debited.

Cash has gone out of the business, hence *Cash* should be credited.

The following illustrates the form of your entry, though the amount and explanation are different.

| | | |
|-------------------------------|--|-----|
| <i>Expense</i>
<i>Rent</i> | <i>Paid J. C. Smith</i> 100
<i>January rent</i> | 100 |
|-------------------------------|--|-----|

Before attempting to make your entry, examine the model journal-daybook on page 6, as well as the above illustration, so as to be sure of the form and arrangement. Never copy the illustrations, but make entries similar to them. Your entries must be made for the transactions given, and your amounts must be the amounts given in the transactions, and not the amounts shown in the illustrations.

After each entry, leave one line blank, except that the day of the month should be written in the center of this line.

Rule 3. — *Debit EXPENSE for all the expenses of the business.*

The term "expense" comprises such outlays as for rent, postage stamps, stationery, fuel, light, clerk hire, and advertising — all for the use or benefit of the business.

Rule 4. — *Credit Cash for all cash paid out.*

No. 3. — JANUARY 2. Bought of Scrantom & Wetmore books and stationery for office use, for which I paid cash, \$15.

INSTRUCTIONS. — This transaction is of the same nature as the preceding one. Debit *Exp.* (see rule 3); credit *Cash* (see rule 4).

The following entry should be made in the *Journal* and the *check* should be a complete receipt of the cash paid to the *merchant*. The entry should show exactly what to *debit* and *credit*. This is the record that will be used as evidence—not the *journal* entry.

The entry for transaction No. 3 should be as follows: Debit of *Scranton & Wetmore*, for cash, \$27.50; credit of *Cash*, \$27.50.

No. 4. JAN. 11/3. Bought of the Upton Coal Co., for cash, for use in store, 5 tons of coal at \$5.50 per ton; total, \$27.50.

INSTRUCTIONS.—As the coal is to be used for fuel, in carrying on the business, it is an *expense*. Make entry similar to those for transactions Nos. 2 and 3. Determine the debit by rule 3; determine the credit by rule 4.

No. 5. JANUARY 3. Paid \$10.50 for 500 stamped envelopes.

No. 6. JANUARY 4. Bought of P. D. Hamlin, for cash, 100 brls. flour at \$3.00 per brl., 5 bu. oats at 35¢ per bu.; total \$530.

INSTRUCTIONS.—Goods which you buy with the intention of selling are called "*merchandise*." You have bought \$530 worth of flour and oats for this purpose, and as the *merchandise* has cost the business value, *Merchandise* should be debited. Cash to the amount of \$530 has gone out, hence *Cash* should be credited. The following is the form of your entry, though the amount and explanation are different.

| | |
|---|-------------------------------|
| <p><i>Journal</i></p> <p><i>Debit</i></p> | <p><i>Credit</i></p> |
| <p><i>Merchandise</i></p> | <p><i>Cash</i></p> |
| <p><i>100 brls. flour</i></p> | <p><i>100 brls. flour</i></p> |
| <p><i>5 bu. oats</i></p> | <p><i>5 bu. oats</i></p> |
| <p><i>Total</i></p> | <p><i>Total</i></p> |

Rule 5.—Debit *MERCHANDISE* for the cost of all goods which you buy for the purpose of selling.

No. 7.—JANUARY 4. Bought of Charles A. Hubbard, for cash, 1000 bu. oats at 30¢ per bu.; total, \$300.

INSTRUCTIONS.—This transaction is similar to the preceding one. *Merchandise* should be debited (see rule 5); *Cash* should be credited (see rule 4).

No. 8.—JANUARY 4. Bought of M. P. Lynch, for cash, 500 bu. corn at 35¢ per bu.; total, \$175.

INSTRUCTIONS.—Make entry similar to that for transaction No. 6. Determine the debit by rule 5; determine the credit by rule 4.

No. 9. JAN. 4. Bought of H. P. Dennis & Co., for cash, 100 bu. rye at 50¢ per bu., 50 bu. flour at \$4.10 per bu.; total, \$255.

No. 10. JANUARY 5. Sold Wilson Bros., for cash, 100 bu. rye at 60¢ per bu., 50 brls. flour at \$4.50 per brl.; total, \$285.

INSTRUCTIONS.—*Cash* should be debited when it is received, or comes into the business; and *Merchandise* should be credited when it goes out of the business or produces value.

The following illustrates the form of your entry, though the amount and explanation are different.

| | |
|---------------|--|
| Cash
Mdsc. | <div style="display: flex; justify-content: space-between;"> <div> <i>5</i>
 Sold to H. A. Harvey
 for cash
 100 bu. corn
 100 bu. wheat </div> <div> <i>455</i>
 <i>455</i>
 <i>455</i>
 <i>354</i> </div> </div> |
|---------------|--|

Rule 6. — Credit *MERCHANDISE* for the sale price of all goods which you sell.

No. 11. — JANUARY 6. Sold H. A. Harvey, for cash, 400 bu. oats at 35¢ per bu.; total, \$140.

INSTRUCTIONS. — Make entry similar to that for the preceding transaction. Determine the debit by rule 1; determine the credit by rule 6.

No. 12. — JANUARY 6. Sold W. D. Menter, for cash, 200 bu. corn at 40¢ per bu.; total \$80. (Entry similar to that for transaction No. 10.)

No. 13. — JANUARY 6. Sold J. B. Hamill, for cash, 200 bu. oats at 30¢ per bu. 100 bu. corn at 40¢ per bu.; total, \$112.

POSTING

At such times as may be convenient, the bookkeeper transfers the items from his journal (in which they have been entered daily as the transactions have occurred) to the ledger. This is called "posting." When the posting is completed, all the debit cash items in the journal will appear on the debit side of the Cash account in the ledger, and all the credit cash items in the journal will appear on the credit side of the Cash account in the ledger. (See Cash account in model ledger, page 8.) All debit merchandise items in the journal will appear on the debit side of the Merchandise account in the ledger, and all credit merchandise items in the journal will appear on the credit side of the Merchandise account in the ledger; and the same will be true of Expense account, the proprietor's account, and all other accounts of the business.

There is no stated time at which posting should be done. In the busy office it is generally done at odd times, when the bookkeeper is not otherwise occupied, but it must be completed at the close of each month, in order to take a trial balance.

In posting, the utmost care should be exercised that all debit items shall be carried to the debit side of the proper accounts in the ledger, and all credit items to the credit side of the proper accounts in the ledger. It is a common error to post a debit item to the credit side, or a credit item to the debit side of an account, especially when the posting is done by alternate debits and credits. The progressive bookkeeper rarely posts in this manner, but instead posts first all his debits, then all his credits. As he is at any time posting to only one side of the ledger, he reduces to the minimum the danger of posting an amount to the wrong side of an account.

Opening Ledger Accounts. — Examine the model ledger on page 8, and notice the form and arrangement of the accounts. On a sheet of ledger paper, open accounts as follows. At the top of the first page write your own name. (For form, see account of A. H. Harper

in model ledger, page 8.) See that the name is in the middle of the line. On the tenth line below write *Cash*. At the top of the second page write *Merchandise*; 20 lines below *Merchandise* write *Expense*.

Rule a double red line under each of the ledger headings, *Cash* and *Expense*, as directed in Exercises 2 and 3 on page 5. Number your journal pages 1 and 2; number your ledger pages 1 and 2.

Successive Steps in Posting. — You will first carry all amounts in the debit money column of your journal to the left-hand or debit side of your ledger. All amounts in the credit money column of your journal are then to be carried to the credit or right-hand side of your ledger.

FIRST STEP. The first item on the debit side of your journal is *Cash*, \$4000. Turn to the *Cash* account in your ledger and write the amount, 4000, on the debit side of this account. Write the page number of the journal page containing this debit (1) in the folio column of the ledger, and write the date of the transaction, as shown by the journal entry (*Jan. 1*) in the date column of the ledger. Write also the current year above the first entry in the date column, as directed in Exercise 3 on page 5. The following shows the form of your ledger entry. (In this and later illustrations, of course, the current year should be given in full.)

| | |
|--------------|------|
| <i>Cash</i> | |
| <i>Jan 1</i> | 4000 |

Next enter the page number of the ledger page containing cash account (1) in the folio column of the journal. The following shows the form.

| | | |
|-----------------------|-----------------------------|------|
| <i>1. Cash</i> | <i>Transferred the 4000</i> | |
| <i>Student's name</i> | <i>from journal</i> | 4000 |
| | <i>debit money column</i> | |
| | <i>Cash</i> | |

In posting always write in the folio column of your ledger the number of the page of the journal from which the amount is posted, and write in the folio column of your journal the number of the page of your ledger on which the account is written. This is termed "postmarking," and is done to make it easy to find the place in the book to which or from which any item has been posted.

SECOND STEP. The next debit item in your journal is *Expense*, \$75. Turn to your *Expense* account in the ledger and write 75 in the amount column on the debit side. Write

the journal page number (1) in the folio column, and the date of the transaction (*Jan. 2* and the current year) in the date column. The following shows the entry.

| | | | |
|---------------|---|----------------|--|
| | | <i>Expense</i> | |
| 10 - | | | |
| <i>Jan. 2</i> | 1 | 75 | |

Write the ledger page number (2) in the folio column of your journal. (For form of folio entry, see illustration of journal in first step; also see model journal on page 6.)

THIRD STEP.—The next item on the debit side of your journal is *Expense*, \$15. Turn again to the debit side of the *Expense* account in your ledger and enter the amount in the money column, the journal page number in the folio column, and the date (*Jan. 2*) in the date column of the ledger. When the month is the same as for the entry just above, it need not be written again; but the day must always be written. The following shows the *Expense* account as it should now appear in your ledger.

| | | | |
|---------------|---|----------------|--|
| | | <i>Expense</i> | |
| 10 - | | | |
| <i>Jan. 2</i> | 1 | 75 | |
| 2 | 1 | 15 | |

Write the ledger page number in the folio column of your journal.

FOURTH STEP.—The next item on the debit side of your journal is *Expense*, \$27.50. Post this to your ledger, as previously instructed. Do not neglect to enter the journal page in the folio column of your ledger, and the ledger page in the folio column of your journal.

FIFTH STEP.—The next item on the debit side of your journal is *Expense*, \$10.50. Post as before to the left-hand side of *Expense* account in the ledger; and postmark properly.

SIXTH STEP.—The next item on the debit side of your journal is *Merchandise*, \$530. Turn to the *Merchandise* account in your ledger, and post this item as previously instructed. The following shows the form of the entry.

| | | | |
|---------------|---|--------------------|--|
| | | <i>Merchandise</i> | |
| 2 | | | |
| 10 - | | | |
| <i>Jan. 4</i> | 1 | 530 | |

SEVENTH STEP. — The next item on the debit side of your journal is *Merchandise*, \$500. Post this according to previous instructions.

EIGHTH STEP. — The next item on the debit side of your journal is *Merchandise*, \$175. Post this properly.

The following shows Merchandise account as it should now appear in your ledger.

| <i>Merchandise</i> | |
|--------------------|-------|
| 1912, 42 | 1 500 |
| 42 | 1 300 |
| 42 | 1 175 |

NINTH STEP. — The next item on the debit side of your journal is *Merchandise*, \$255. Post properly.

TENTH STEP. — The next item on the debit side of your journal is *Cash*, \$255. Post this to the debit side of your Cash account, writing 255 in the money column, the journal page number in the folio column, and 5 (the day) in the day column. This ledger account should now have two debit items, namely, \$400 and \$255. Never forget to postmark the journal as previously directed.

ELEVENTH STEP. — The next debit item in your journal is *Cash*, \$170. Post properly.

TWELFTH STEP. — The next debit item in your journal is *Cash*, \$80. Post properly.

THIRTEENTH STEP. — The next and last item on the debit side of your journal is *Cash*, \$112. Post properly.

FOURTEENTH STEP. — As you have finished posting the debit items, you should next post the credit items of your journal to the credit or right-hand side of your ledger.

The first credit item in your journal is that in which you are credited with your investment, \$400. This should be transferred to your account on the credit side of the ledger. Remember to write the current year in the date column over the first item in an account. The following illustrates the form of the ledger entry.

| <i>Student's Name</i> | |
|-----------------------|--------|
| 1912, 1 | 1 4000 |

Be sure to enter the journal page number in the folio column of the ledger, and the ledger page number in the folio column of the journal opposite your name.

FIFTEENTH STEP. — The next credit item in your journal is *Cash*, \$75. Transfer the amount to the credit side of the Cash account in the ledger.

The following illustrates the form of the Cash account in your ledger as it should appear at the present time.

1211

| | | | |
|-------------|-------------|--------------|-------------|
| <i>1211</i> | <i>1211</i> | <i>1211</i> | <i>1211</i> |
| <i>5</i> | <i>1</i> | <i>25.00</i> | <i>1</i> |
| <i>6</i> | <i>2</i> | <i>1.00</i> | <i>75</i> |
| <i>6</i> | <i>2</i> | <i>5.00</i> | |
| <i>6</i> | <i>2</i> | <i>1.12</i> | |

SIXTEENTH STEP. — Transfer the remaining credit items of your journal to your ledger. The Cash account in your ledger will then contain eight credit amounts, and the Merchandise account four credit amounts.

All the debit items of your journal have now been transferred to the debit or left-hand side of your ledger, and all the credit items to the credit or right-hand side. As the amounts in the debit and credit columns of the journal are equal, it is evident, if you have made no mistake in transferring the entries, that the amounts on the debit and credit sides of your ledger must also be equal; that is, that the sum of the amounts on the debit side of your ledger should equal the sum of the amounts on the credit side of your ledger. To ascertain if this is true, we take what is known as a "trial balance."

TRIAL BALANCE

At the top of a sheet of journal paper write the words *Trial Balance*, and the proper date. Under this at the left-hand side of the wide column write the names of all the accounts that appear in your ledger, with the ledger pages in the folio column. The following illustrates the form.

Trial Balance Jan. 6, 19 -

1 Q. H. Harper
1 Cash
2 Mdse.
2 Expense

The names of the accounts in your trial balance must be the names of the accounts in your ledger.

The footing of the debit side of each account in your ledger must be entered in the debit or left-hand money column of your trial balance. The footing of the credit side of each account in your ledger must be entered in the credit or right-hand money column of your trial balance.

The first account in the ledger is the proprietor's (your own) account. There is nothing on the debit side, hence no entry will be made in the debit column of your trial balance on the first line. There is \$4000 on the credit side of your account. Enter this amount in the credit or right-hand column of your trial balance. The following illustrates the form; the amount is different.

Trial Balance Jan. 6, 19 -

1 Student's name

1 Cash

2 Merchandise

2 Expense

Add the several items on the debit side of your Cash account and write the sum in *very small, light pencil* figures directly underneath and *close* under the last debit item.

Foot the credit side of your Cash account in the same way, writing the total in *very small pencil* figures close under the last credit item.

The following illustrates the form of a Cash account properly footed; the amounts and other particulars are different from those shown in your Cash account.

| <i>Cash</i> | | | | 3 |
|---------------|---------------|---------------|--------------|---|
| <i>Jan. 1</i> | <i>1 5000</i> | <i>Jan. 5</i> | <i>1 200</i> | |
| <i>4</i> | <i>1 225</i> | <i>6</i> | <i>2 75</i> | |
| <i>6</i> | <i>2 740</i> | <i>7</i> | <i>2 356</i> | |
| <i>7</i> | <i>2 62</i> | | | |
| <i>10</i> | <i>3 150</i> | | | |
| | <i>4617</i> | | | |

Transfer the debit footing of your Cash account (\$4617) to the debit column of your trial balance, writing the amount directly opposite the word *Cash*.

Transfer the credit footing (\$1388) to the credit column of your trial balance, directly opposite the word *Cash*. The following illustrates the form; the amounts are different.

Trial Balance, Jan. 6, 19 -

1 Student's name

Cash

4177

2 Merchandise

2 Expense

Foot the debit and credit sides of your Merchandise account, and write the footings in neat pencil figures, as in the Cash account. Transfer the footing of the debit side to the debit column of your trial balance, and the footing of the credit side to the credit column of your trial balance.

Make all pencil footings in the ledger with a sharp pencil and as small as possible, so that they will appear neat and businesslike. This is important for the reason that such footings are not erased, but are permitted to stand in the ledger for future reference.

Foot the debit side of your Expense account, and transfer the footing to the debit side of your trial balance. There is nothing on the credit side of your Expense account. (For form of complete trial balance, see below.)

Foot the debit and credit columns of your trial balance; the two footings should be equal. If the footings of the debit and credit columns of your trial balance are not equal, it is evident that an error has been made, and you should review your calculations, or both your posting and your calculations, until you find the mistake. If the error is in a pencil footing, you may erase it; but *never erase anything written in ink*. In business a correction is made by drawing a red-ink line through the erroneous entry and writing the correct one over it. But in this preliminary work you should rewrite the whole page.

The following is the form of a trial balance containing the same number of items as in your trial balance. The amounts are different.

Trial Balance, Jan. 6, 19 -

1 Q. H. Harper

3000

1 Cash

6200

5100

2 Wdsc.

6100

4342

2 Expense

142

12442

12442

Exercise—On another sheet of journal paper practice the rulings indicated below. The light line stands for the blue and red lines already on your paper; the heavy lines are the ones you are to draw in red ink. The single line across the money columns, and the upper line of the double rulings at the left and across the money columns, may be drawn either on the blue line, or slightly below it. Whichever style is adopted should be followed consistently. (Read page 4, section on Ruling.)



If the footings of your trial balance are equal, write them in ink, rule the trial balance as in the above exercise (see last form on page 10), and present it with your journal and ledger to your teacher for approval. Do not do any further work until your teacher certifies to the correctness of what you have already done.

QUESTIONS

1. Define bookkeeping. Define double-entry bookkeeping.
2. What books are required to make a complete record of any business?
3. What should the journal-daybook contain?
4. What should the ledger contain?
5. What is a business transaction?
6. Define journalizing.
7. What is the general rule for journalizing?
8. Why should the debits and credits of every journal entry be equal?
9. What does the term "cash" include?
10. When should the Cash account be debited?
11. When should the Cash account be credited?
12. When should the Expense account be debited?
13. What items should be charged to the Expense account?
14. What are the two leading points to be borne in mind in writing the explanatory record in your journal entries? Explain.
15. What do you understand by the term "merchandise"?
16. When should the Merchandise account be debited?
17. When should the Merchandise account be credited?
18. Explain and illustrate the difference between Merchandise and Expense.
19. Define posting. When should posting be done?
20. Upon which side of the ledger accounts should all items in the left-hand money column of the journal appear? Upon which side, all those in the right-hand money column of the journal?
21. What is the object of a trial balance?
22. How often should a trial balance be taken?
23. What names should appear in a trial balance?
24. Why should the debit and credit columns of a trial balance show equal footings?
25. Does a trial balance prove your work to be absolutely correct?
26. Explain the pencil footings in the ledger.
27. Is it possible to have mistakes in the work and yet have the trial balance in balance? Explain in detail.

FLOUR AND GRAIN BUSINESS—FEBRUARY

Make the journal-daybook entries required for the following transactions, either on journal paper or in Blank No. 1, as your teacher directs.

No. 1. — FEBRUARY 1, 19—. I (your name) engage in the Flour and Grain business, investing cash, \$2500.

INSTRUCTIONS. — Write *February 1* and the current year at the top of page 1 in your journal-daybook (see model, page 6). Determine the debit by rule 1, page 11; determine the credit by rule 2, page 11. For form of entry similar to this, see page 10.

No. 2. — FEBRUARY 2. Paid Henry Jones rent of store for two months, in cash, \$50.

INSTRUCTIONS. — Determine the debit by rule 3, page 11; determine the credit by rule 4, page 11. For form of entry similar to this, see page 11.

No. 3. — FEBRUARY 3. Bought of R. C. Thompson, for cash, 200 brls. flour at \$4 per brl.; total, \$800.

INSTRUCTIONS. — Determine the debit by rule 5, page 12; determine the credit by rule 4, page 11. For form of entry similar to this, see page 12.

No. 4. — FEBRUARY 5. Sold A. H. Warren, for cash, 50 brls. flour at \$4.50 per brl. total, \$225.

INSTRUCTIONS. — Determine the debit by rule 1, page 11; determine the credit by rule 6, page 12. For form of entry similar to this, see page 13.

No. 5. — FEBRUARY 6. Bought from Winter Bros., for cash, 600 bu. of corn at 35¢ per bu.; total, \$210. (Entry similar to that for transaction No. 3.)

No. 6. — FEBRUARY 7. Sold Wm. Archer & Co., for cash, 50 brls. flour at \$4.50 per brl., 200 bu. corn at 40¢ per bu.; total, \$305. (Entry similar to that for transaction No. 4.)

No. 7. — FEBRUARY 8. Bought of Arthur McMillan, for cash, 100 brls. flour at \$3.00 per brl., 1200 bu. oats at 33¢ per bu.; total, \$786. (Entry similar to those for transactions Nos. 3 and 5.)

No. 8. — FEBRUARY 9. Paid cash for clerk hire, \$15, for insurance, \$10; total, \$25. (Determine the debit by rule 3, page 11.)

No. 9. — FEBRUARY 10. Sold E. H. French & Co., for cash, 25 brls. flour at \$4.50 per brl., 300 bu. oats at 38¢ per bu., 200 bu. corn at 40¢ per bu.; total, \$306.50.

No. 10. — FEBRUARY 12. Bought of John C. Cornell, for cash, 200 bu. rye at 55¢ per bu.; total, \$110.

No. 11. — Open the following accounts in your ledger, at the places indicated. (Student's name), top of the third page in the blank (first two pages are for index); number this page 1, and number the following pages in order. *Merchandise*, 11th line, page 1 (rule as directed in Exs. 2 and 3, page 5). *Expense*, top of page 2. *Cash*, top of page 3.

No. 12. — Post the transactions from your journal-daybook to your ledger. For explanation of posting, see pages 13-17.

No. 13 — Take a trial balance from your ledger. See form and explanation on pages 17-20.

No. 14. — Submit your journal-daybook, ledger, and trial balance to your teacher for inspection and approval.

After the trial balance has been approved, copy it in Blank No. 1, a portion of which is set apart for a trial balance book as indicated by the index on the front cover.

Special Rules for Personal Accounts

Rule 7 — *DEBIT persons when they become indebted to the business or when the business pays them on account.*

Rule 8. — *CREDIT persons when the business becomes indebted to them or when they pay the business on account.*

No. 15. — FEBRUARY 14. Bought of A. J. Lane, on account, 30 days, 250 bu. oats at 33¢ per bu.; total, \$82.50.

INSTRUCTIONS. — When you buy goods from a person without paying for them at the time of the purchase, the goods are said to be bought *on account*, that is, *on time* or *on credit*, and the *PERSON* from whom you buy should be credited, because the business becomes indebted to him for the amount of the purchase.

In this instance you have bought goods for the purpose of selling, hence *Merchandise* should be debited for the cost of the goods. The purchase was made from A. J. Lane on your promise or implied promise to pay for the goods in 30 days, hence *A. J. Lane* should be credited because you have become indebted to him on account.

The following illustrates the form of the entry.

| | |
|-------------------------------------|---|
| <i>Merch.</i>
<i>P. M. Smith</i> | <i>Bought on acct. 30 days</i> 70
<i>200 bu. oats</i> 35¢ 70 |
|-------------------------------------|---|

Rule 9. — *When you purchase goods without paying for them at the time of the purchase, credit the PERSON from whom the goods are bought, because the business has become indebted to him on account.*

No. 16. — FEBRUARY 15. Bought of W. H. Stevens, on account, 600 bu. oats at 33¢ per bu.; total, \$198.

INSTRUCTIONS. — This transaction is similar to the preceding one. Debit *Merchandise* (see rule 5); credit *W. H. Stevens* (see rule 9).

No. 17. — FEBRUARY 15. Bought of F. A. Smith & Co. on account, 10 days, 300 bu. rye at 55¢ per bu.; total, \$165.

No. 18. — FEBRUARY 16. Sold W. A. Scott on account, 10 days, 200 bu. oats at 36¢ per bu.; total, \$72.

INSTRUCTIONS. — When you sell merchandise without receiving payment for it at the time of sale, the goods are said to be sold *on account*, that is, *on time* or *on credit*, and the person to whom the goods are sold should be debited. In this instance W. A. Scott has

purchased from you \$72 worth of merchandise without paying for it; you simply have his promise or implied promise to pay. Therefore *W. A. Scott* has become indebted to the business and should be debited. Credit *Merchandise* because merchandise produces value for the business.

The following illustrates the form of your entry.

| | | |
|---------------------------------------|--|-----|
| <i>Geo. C. Chase</i>
<i>Merch.</i> | <div style="text-align: right; margin-bottom: 5px;">16</div> <div style="text-align: right;">Debit on acct. 30 da. 450</div> <div style="text-align: right;">100 brs. Flour 42</div> | 450 |
|---------------------------------------|--|-----|

Rule 10.—When you sell goods without receiving payment therefor at the time of the sale, debit the *PERSON* to whom the goods are sold, because he has become indebted to the business on account.

No. 19.—FEBRUARY 17. Sold S. A. Dodge & Co. on account, 60 days, 50 brls. flour at \$4.75 per brl.; total, \$237.50.

INSTRUCTIONS.—This transaction is similar to the preceding one. Debit *S. A. Dodge & Co.* (see rule 10); credit *Merchandise*.

No. 20.—FEBRUARY 17. Sold J. S. Sumner, on account, 500 bu. rye at 60¢ per bu., 500 bu. oats at 36¢ per bu., 600 bu. corn at 40¢ per bu.; total, \$720. (Determine the debit by rule 10; determine the credit by rule 6.)

No. 21.—FEBRUARY 19. Sold E. H. French & Co. on account, 10 days, 50 brls. flour at \$4.60 per brl., 200 bu. oats at 36¢ per bu., 100 bu. of corn at 40¢ per bu.; total, \$342.

No. 22.—FEBRUARY 20. Sold E. B. Adams, for cash, 400 bu. oats at 38¢ per bu.; total, \$152. (Determine the debit by rule 1; determine the credit by rule 6.)

No. 23.—FEBRUARY 23. Bought of Rice, Miller & Co. on account, 30 days, 250 bu. rye at 57¢ per bu., 600 bu. corn at 35¢ per bu.; total, \$352.50. (Entry similar to that for transaction No. 15.)

No. 24.—FEBRUARY 24. Sold Roberts Bros., for cash, 200 bu. rye at 60¢ per bu.; total, \$120.

No. 25.—FEBRUARY 26. W. A. Scott has paid you \$72 cash in full settlement of his account.

INSTRUCTIONS.—In transaction No. 18 W. A. Scott became indebted to you to the extent of \$72. He now pays you this amount in cash on account, that is, in settlement of what he owed you; therefore, credit *W. A. Scott*. Cash comes into the business, hence *Cash* should be debited.

The following illustrates the form of your entry.

| | | |
|-------------------------------------|---|-----|
| <i>Cash</i>
<i>Geo. C. Chase</i> | <div style="text-align: right; margin-bottom: 5px;">16</div> <div style="text-align: right;">in full of acct. 450</div> | 450 |
|-------------------------------------|---|-----|

Rule 11. — *When a person pays you on account, credit that Person.*

No. 26. — FEBRUARY 26. — Received cash of J. S. Sumner, \$100, to apply on account.

INSTRUCTIONS. — This transaction is similar to the preceding one, with the exception that the explanation should read *On account* instead of *In full of account*.

No. 27. — FEBRUARY 27. — Paid A. J. Lane cash, \$82.50, in settlement of his account to date.

INSTRUCTIONS. — In transaction No. 15 you became indebted to A. J. Lane to the amount of \$82.50. You now pay him cash on account, that is, in settlement of the debt you owe him; hence *A. J. Lane* should be debited. Cash goes out of the business; therefore, credit *Cash*.

The following illustrates the form of your entry.

| | | | | |
|----------------------------|--|-----------------------------------|----|----|
| <i>A. J. Lane</i>
82.50 | | <i>Received of cash</i>
100.00 | 70 | 70 |
|----------------------------|--|-----------------------------------|----|----|

Rule 12. — *When you pay a person on account, debit that Person.*

No. 28. — FEBRUARY 28. — Paid W. H. Stevens cash, \$100, to apply on account.

INSTRUCTIONS. — Make entry similar to that for the preceding transaction, except that the explanation should read *On account* instead of *In full of account*.

No. 29. — FEBRUARY 28. — Received cash of E. H. French & Co., \$342, in payment of bill of 10th inst. (Entry similar to that for transaction No. 25.)

No. 30. — FEBRUARY 28. — Sold Emerson & Sons, on account, 100 bu. corn at 40¢ per bu., 60 brls. flour at \$4.50 per brl., 100 bu. oats at 35¢ per bu.; total, \$345. (Determine the debit by rule 10; determine the credit by rule 6.)

No. 31. — FEBRUARY 28. — Paid cash for postage and advertising, \$12. (Determine the debit by rule 3; determine the credit by rule 4.)

No. 32. — Open the following new accounts in your ledger, leaving space as indicated.

W. J. Scott, 11th line, page 4. *S. A. Dodge & Co.*, 22d line, page 4. *J. S. Sumner*, 33d line, page 4. *E. H. French & Co.*, top of page 5. *Emerson & Sons*, 11th line, page 5. *A. J. Lane*, 11th line, page 7. *W. H. Stevens*, 22d line, page 7. *E. J. Smith & Co.*, 33d line, page 7. *Rice, Miller & Co.*, top of page 8.

Rule a double line under headings as heretofore instructed. Select addresses for these persons and companies from your own section of the country, and write them in the ledger as shown on page 9.

No. 33. — Post the entries from your journal-daybook to your ledger, according to instructions given on pages 13-17. Do not open new accounts in your ledger with Cash, Merchandise, and Expense, but post the items under the old accounts, as this is simply a continuation of your business.

The following illustrates the form of a Merchandise account, showing how it should appear in the ledger with the pencil footings for the first trial balance. (This is not your Merchandise account.)

2

Merchandise

| <i>Feb. 2</i> | <i>1 1800</i> | <i>Feb. 3</i> | <i>1 650</i> |
|---------------|---------------|---------------|---------------|
| <i>5</i> | <i>2 740</i> | <i>7</i> | <i>2 1590</i> |
| <i>9</i> | <i>2 603</i> | <i>10</i> | <i>2 325</i> |
| <i>15</i> | <i>3 725</i> | <i>12</i> | <i>3 275</i> |
| <i>24</i> | <i>4 1275</i> | <i>17</i> | <i>4 745</i> |
| | | <i>25</i> | <i>4 357</i> |

HOW TO CHECK FROM JOURNAL TO LEDGER

In order to detect mistakes in posting, many bookkeepers check every item from the journal to the ledger after it has been posted. As you have completed the posting for the month of February, you may check your entire journal to your ledger. Use a hard, sharp-pointed pen or pencil. On page 1 of your journal you find the item *Cash, Dr., \$2500*. Turn to the Cash account in your ledger and place a light pencil dot, as illustrated in the following form, on the vertical double line to the left of the amount 2500, which should be the first item on the debit side of this account.

3

Cash

Feb. 2 *1,3500*

Now return to the journal and place a dot to the left of the debit amount, 2500, as illustrated by the first dot in the form below.

You have now "checked" the first debit item. Check each debit item in a similar manner.

Always find the correct amount in the ledger and check it there before checking it in the journal. Carefully inspect each amount to see that it has been written correctly, as errors are often made by transposing or misplacing figures, thus: \$125 for \$152; \$1.50 for \$150.

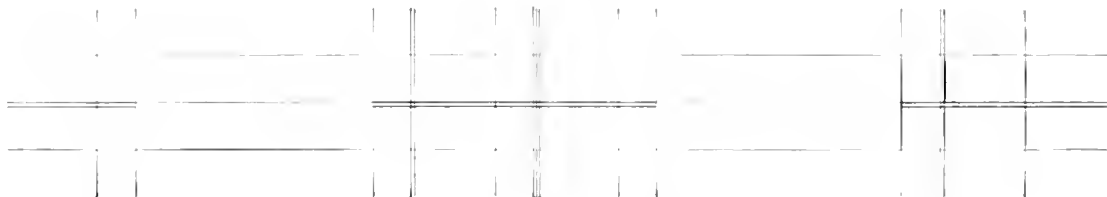
After checking all debits, turn to the beginning of your journal and check all the credit items. Note the location of the dot for the first credit item in the illustration below.

January 17 -

| | | |
|------------------------|---------------------------|---------------|
| <i>3-Cash</i> | <i>1,3500</i> | <i>1,3500</i> |
| <i>1 F. L. Leonard</i> | <i>1,3500</i> | <i>3500</i> |
| | <i>Business investing</i> | |
| | <i>Cash</i> | |

If any posting has been omitted, or if an item has been posted to the wrong side, it will be observed in the checking. If an amount has been posted twice, it will appear once in the ledger unchecked, and thus the error will be detected.

Exercise. — On a sheet of ledger paper practice ruling double lines as illustrated below by the heavy lines. These are to extend across all columns except the wide space on each side, and are to begin and end exactly at the proper vertical line. Compare with the exercise on page 25.



No. 34. — Rule off all your ledger accounts that balance, with ruling like that in the above exercise; for illustration, see account of J. Grant & Co., on page 9. The accounts in your ledger to be ruled off are those of W. A. Scott, E. H. French & Co., and A. J. Lane.

Now foot your ledger in light pencil figures as shown on page 18, and then take off a trial balance as explained on pages 17-20. The accounts which you have ruled off are to be omitted from the trial balance; as the debits and credits of these accounts are equal, their omission will not affect the equality of the debits and credits as a whole.

No. 35. — Submit your journal-daybook, ledger, and trial balance to your teacher for approval. After the trial balance has been approved, copy it in Blank No. 1 on the same page with the previous trial balance. Write the heading on the second blank line below the footings of the trial balance of Feb. 12, and draw a double red line under it as under a ledger heading. (See Exercise 2 on page 5.)

MARCH; CONTINUATION OF FEBRUARY BUSINESS

No. 36. — MARCH 1. Bought of H. S. Clough & Co. on account, 10 days, 200 brls. flour at \$4.05 per brl., 1000 bu. oats at 30¢ per bu.; total, \$1110. (Entry similar to that for transaction No. 15, page 22; write it at the top of the first blank page in Blank No. 1, in same style as the entry illustrated on page 10.)

No. 37. — MARCH 2. Sold Wm. Archer & Co., on account, 500 bu. oats at 38¢ per bu., 50 bu. rye at 60¢ per bu.; total, \$220. (Entry similar to that for No. 18, page 22.)

No. 38. — MARCH 3. Paid Rice, Miller & Co. cash, \$352.50, in payment of invoice of February 23d. (Entry similar to that for transaction No. 27, page 24.)

No. 39. — MARCH 3. Received cash of Emerson & Sons, to apply on account, \$250. (Entry similar to that for transaction No. 26, page 24.)

No. 40. — MARCH 5. Paid H. S. Clough & Co. cash, on account, \$500. (Determine the debit by rule 12, page 24; determine the credit by rule 4, page 11.)

No. 41. — MARCH 6. Bought of Kidder & Hill on account, 60 days, 1000 bu. corn at 34¢ per bu.; total, \$340.

No. 42. — MARCH 7. Paid cash for freight and drayage of flour and grain to date, \$15.

INSTRUCTIONS. — Cash paid for freight, cartage, drayage, etc., of your merchandise is a part of the cost of your merchandise, hence *Merchandise* should be debited. The following illustrates the form of your entry, though the amount is different.

Misce.
Cash

Paid freight and
drayage to date 22 50
22 50

Rule 13.—Debit *MERCHANDISE* for all amounts paid for freight, express, cartage, drayage, etc., on merchandise.

No. 43.—MARCH 8. Sold E. H. French & Co. on account, 10 days, 300 bu. corn at 40¢ per bu., 400 bu. oats at 38¢ per bu.; total, \$xxx.

No. 44.—MARCH 9. You have withdrawn from the business, for private use, cash, \$25.

INSTRUCTIONS.—As the *Proprietor* is credited with money, property, etc., which he invests in the business, it is evident that he should be debited for anything which he takes out of the business for his own use. In this instance he has withdrawn cash, hence the *Proprietor* should be debited for \$25. The following illustrates the form of your entry.

A. H. Harper
Cash

Drew from the
business for pri-
vate use 50
50

Rule 14.—Debit the *PROPRIETOR* for all cash, merchandise, etc., which he takes out of the business for his private use.

No. 45.—MARCH 10. Bought of Kidder & Hill on account, 30 days, 1000 bu. corn at 36¢ per bu., 200 bu. rye at 54¢ per bu.; total, \$xxx.

No. 46.—MARCH 12. Paid H. S. Clough & Co. cash, \$100, to apply on account.

No. 47.—MARCH 12. Sold F. W. Garland, of Rochester, N.Y., on his note at 10 days, 50 brls. flour at \$4.60 per bbl.

The following illustrates the form of the note which F. W. Garland gives you, the amount and time being different. F. W. Garland is the "maker" of this note; the student is the "payee."

| | | |
|---|-----------------|---------------|
| \$250.00 | Rochester, N.Y. | Mar. 12, 190 |
| Twenty days after date I promise to pay | | |
| to the order of Student's name | | |
| Two hundred fifty | | Dollars |
| Payable at my office | | |
| Value received | | |
| No. 46. | Due Apr. 11, 19 | F. W. Garland |

INSTRUCTIONS. — You have sold merchandise, and F. W. Garland has given you his written promise to pay in 30 days the amount of the bill. This kind of written promise to pay is called a promissory note. When such notes, or promises, are in favor of the business, they are called "Bills Receivable," and, like any other property, their account is debited when they are received and credited when they are disposed of; hence in this instance *Bills Receivable* should be debited. The following illustrates the form of your entry.

| | | |
|------------------------------------|---|------------|
| <i>Bills Rec.</i>
<i>Indeb.</i> | <i>F. W. Garland 190</i>
<i>on his note at 30 days</i>
<i>30th Feb 1900</i> | <i>190</i> |
|------------------------------------|---|------------|

Rule 15. — *Debit BILLS RECEIVABLE when another's written promise comes into the business.*

No. 48 MARCH 13. Sold Wm. Archer & Co., on their note at 15 days, 150 brls. flour at \$4.00 per brl. (Entry similar to that for preceding transaction.)

No. 49 MARCH 14. S. A. Dodge & Co., who owe you \$237.50, have requested you to accept their note at 30 days in payment of the account. This you have done.

INSTRUCTIONS. — In this instance you have received S. A. Dodge & Co.'s written promise to pay, hence *Bills Receivable* should be debited (see rule 15). As S. A. Dodge & Co. have paid you on account, *S. A. Dodge & Co.* should be credited. The following illustrates the form of your entry.

| | | |
|---|--|------------|
| <i>Bills Rec.</i>
<i>S. A. Dodge</i> | <i>S. A. Dodge & Co. 375</i>
<i>on their note at 30 days</i>
<i>15th March</i> | <i>375</i> |
|---|--|------------|

No. 50. — MARCH 15. J. S. Sumner sends you his note at 10 days, dated March 14, to apply on account \$250. (Entry similar to that for preceding transaction.)

No. 51 MARCH 16. Sold S. A. Dodge & Co., on account, 600 bu. corn at .40¢ per bu., 50 brls. flour at \$4.50 per brl.

No. 52 MARCH 17. Bought of H. S. Clough & Co., on account, 100 brls. flour at \$4 per brl., 500 bu. corn at .35¢ per bu.

No. 53 MARCH 18. Sold J. B. Fulton, on his note at two months, 400 bu. oats at .38¢ per bu., 200 bu. corn at .40¢ per bu.

No. 54 MARCH 19. Bought of Kidder & Hill, on your note at 10 days, 200 brls. flour at \$4 per brl., 500 bu. corn at .35¢ per bu.

The following is the form of the note which you will give Kidder & Hill. The amount, and probably the address, will be different.

\$246.25 Rochester, N.Y. March 19, 1919 -
ten days after date - promise to pay to
the order of Kidder & Hill -
Three hundred and forty-six and 25/100 Dollars
at my office -
Value received
No. 1 - Due March 19, 1919 - Student's name

INSTRUCTIONS. — You have bought merchandise and have given Kidder & Hill your note or written promise to pay the amount of the bill in 10 days. Written promises to pay, given by you for the benefit of the business, are called "Bills Payable," and, like any other property, their account should be credited when they are issued or disposed of. Hence *Bills Payable* should be credited for the amount of the note. The following illustrates the form of your entry.

| | | |
|-------------------|-----------------------------------|------------|
| <i>Mdcs.</i> | <i>Bought of B. F. Warren 600</i> | |
| <i>Bills Pay.</i> | <i>on my note at 10</i> | <i>600</i> |
| | <i>days.</i> | |
| | <i>100 brls. Flour 32</i> | |
| | <i>600 bu. Corn 30</i> | |

Rule 16. — Credit *BILLS PAYABLE* when the business issues, or gives out, its own written promise to pay.

No. 55. — MARCH 20. Bought of Warner & Freeman, on your note at 10 days, 600 bu. corn at 35¢ per bu. (Entry similar to that for preceding transaction.)

No. 56. — MARCH 21. Sold A. H. Warren, on his note at 30 days, 50 brls. flour at \$4.60 per brl., 190 bu. corn at 40¢ per bu.

No. 57. — MARCH 22. Sold Weston & Hill, on account, 25 brls. flour at \$4.60 per brl., 380 bu. corn at 40¢ per bu.

No. 58. — MARCH 23. Bought of Chas. A. Hill & Co., on your note at 60 days, 1000 bu. oats at 33¢ per bu., 500 bu. corn at 35¢ per bu.

No. 59. — MARCH 23. Sold Roberts Bros. on account, 15 days, 50 brls. flour at \$4.50 per brl.

No. 60. — MARCH 23. F. W. Garland has paid his note of 12th inst. in cash, \$230.

INSTRUCTIONS. — You have received cash and disposed of the note, which should be returned to F. W. Garland. As *Bills Receivable* was debited when the note was received, it is evident that *Bills Receivable* should be credited when the note is disposed of. The following illustrates the form of your entry.

| | |
|------------|--|
| Cash | <div style="text-align: right; margin-bottom: 5px;">123</div> Recd. of F. W. Garland 460
in payment of note 460 |
| Bills Rec. | |

Rule 17. — Credit *BILLS RECEIVABLE* when the business disposes of, or gives out, another's written promise.

No. 61. — MARCH 24. J. S. Sumner has paid his note, due this day, in cash, \$250. (Entry similar to that for preceding transaction.)

No. 62. — MARCH 24. You have paid your note of 19th inst., favor of Kidder & Hill, in cash, \$975.

INSTRUCTIONS. — You have disposed of cash and received for it your note. As *Bills Payable* was credited when your note was issued, it is evident that *Bills Payable* should be debited when your note is paid or redeemed. The following illustrates the form of your entry.

| | |
|------------|---|
| Bills Pay. | <div style="text-align: right; margin-bottom: 5px;">122</div> Note # 1, favor 685
A. B. Reed 685 |
| Cash | |

Rule 18. — Debit *BILLS PAYABLE* when the business redeems, or pays, its own written promise.

No. 63. — MARCH 24. You have paid your note, favor of Warner & Freeman, in cash, \$210. (Entry similar to that for preceding transaction.)

No. 64. MARCH 26. Received of E. H. French & Co., to apply on account, their note at 30 days for \$200.

No. 65. MARCH 26. Transfer, by indorsement, A. H. Warren's note of the 21st inst. for \$306 to H. S. Clough & Co., to apply on account.

INSTRUCTIONS. — Instead of keeping A. H. Warren's note (bills receivable) until it becomes due, and collecting the money yourself, you have given the note to H. S. Clough & Co. to apply on account, and they agree to accept it at its face value. You have paid Clough & Co. on account, therefore they should be debited; you have disposed of another's written promise, hence *Bills Receivable* should be credited. The following illustrates the form of entry.

| | | |
|--|---|----------------------------|
| <i>B. E. Nelson & Co.</i>
<i>Bills Rec.</i> | ²⁵
<i>Gave them P. H.</i>
<i>30 is note of 1/4</i>
<i>in our favor to</i>
<i>apply on acct</i> | 300

300 |
|--|---|----------------------------|

Indorsing a note consists in writing a signature, with or without other words, on the back of the note. The left-hand end of the note should be turned away from you as you turn the note reverse side up, and the signature should then be written about one and one-half inches from the upper end. The effect of an indorsement is to make the person who writes his name on the back of a note responsible for its payment in case the maker fails to pay the note when it is due. The indorsement of the payee is necessary also for the purpose of transferring the ownership of the note to another person.

Here is a form of indorsement commonly used in transferring notes like that referred to in transaction No. 65.

Pay to the order of
F. S. Girard & Co.
Student's Name.

No. 66. — MARCH 26. Paid cash for clerk hire, \$15, for stamps, etc., \$2.

No. 67. — MARCH 27. Gave Kidder & Hill your note at 30 days, for \$340, to apply on account.

No. 68. — MARCH 27. William Archer & Co. paid their note of the 13th inst. in cash, \$690.

No. 69. — MARCH 28. The freight and drayage bills to date are \$12; they have been paid in cash.

No. 70. — MARCH 28. You have taken from the store, for personal use, 2 brls. flour at \$4 per brl.

INSTRUCTIONS. — You (the proprietor) have taken from the business, for your own private use, merchandise valued at \$8. The *Proprietor* should be debited for the withdrawal from the business, and *Merchandise* should be credited, as it has been sold to the proprietor.

No. 71. — MARCH 29. Bought of A. J. Lane, on account, 600 bu. oats at 32¢ per bu., 200 bu. rye at 55¢ per bu.

No. 72. — MARCH 29. Paid F. A. Smith & Co. cash, \$165, in full of account to date.

No. 73. — MARCH 29. Received of Wm. Archer & Co. cash, on account, \$150.

No. 74. — MARCH 30. Bought of Rice, Miller & Co. on account, 30 days, 50 brls. flour at \$3.95 per brl., 400 bu. corn at 35¢ per bu.

No. 75. — MARCH 30. Sold W. A. Scott on account, 30 days, 400 bu. oats at 38¢ per bu., 50 brls. flour at \$4.50 per brl.

No. 76. — MARCH 31. Bought of F. A. Smith & Co. on account, 30 days, 75 brls. flour at \$4 per brl.

No. 77. Open the following accounts, at the places indicated.

J. J. & Co., 11th line, page 2. *Bills Receivable*, top of page 4. *Wm. Archer & Co.*, 21st line, page 5. *W. J. & Co.*, 22d line, page 5. *Roberts Bros.*, top of page 6. *Bills Payable*, top of page 7. *H. S. Clough & Co.*, 11th line, page 8. *Kidder & Hill*, 22d line, page 8.

Select addresses for the personal accounts and insert them on the ledger as directed at the end of February, page 24.

No. 78. Post from your journal, following directions for posting on pages 13-17. Rule off all accounts which are in balance, or a portion of which balances, as directed on page 26.

No. 79. In the trial balance for March 31st, you may write, in the proper money column, only one amount for each account—namely, the difference between the two sides of that account in the ledger. Pencil foot your ledger accounts as usual, using a hard, sharp-pointed pencil. On the larger side of the ledger account, in the explanation space, near the top of the account, write in small pencil figures the footing of that side of the account; underneath it write the footing of the smaller side; subtract, writing the remainder underneath, and leave these pencil figures in your ledger. Carry this remainder only into the trial balance opposite the name of the account, and place it on the larger side. (See Cash and Merchandise accounts in model ledger, page 8, for the method of finding the difference between the two sides of an account.)

The following is a trial balance taken in this manner from the model ledger on pages 8 and 9.

Trial Balance, Feb. 28, 1907 -

| | | |
|--------------------------|-------|-------|
| <i>Receivables</i> | | 2,750 |
| <i>Assets</i> | 1,200 | |
| <i>Merchandise</i> | 1,000 | |
| <i>Expenses</i> | 200 | |
| <i>Bills Receivable</i> | 1500 | |
| <i>Bills Payable</i> | | 500 |
| <i>Liabilities</i> | 3,200 | |
| <i>Capital & Co.</i> | | 1,000 |
| | 4,900 | 4,900 |

HOW TO FIND ERRORS IN TRIAL BALANCES

Although the bookkeeper should perform his work so carefully as to avoid all errors, it is not unusual for errors to occur which will cause a difference between the footings of the

two sides of the trial balance. These errors would probably be located by checking the posting as explained on page 25, but many bookkeepers prefer to make use of every other means for locating errors before resorting to checking, as this expedient means considerable additional work.

The following directions, it is believed, will enable you to detect most mistakes.

1. Having made sure that the trial balance is correctly added, find the exact amount of the error by taking the difference between the two sides of the trial balance. Look through your journal for this amount and also for half the amount. If you find the exact amount, it has probably been omitted in posting, or it may have been posted twice. If you find an amount equal to half the error, this amount may have been posted to the wrong side of the ledger.

2. Verify your additions and subtractions in the ledger.

3. See that you have transferred your balances correctly from the ledger to the trial balance. You may have omitted an account, placed a balance on the wrong side of the trial balance, or made a mistake in writing the amounts.

4. See if the amount of the error is exactly divisible by 99. If so, the error *may* be due to a transplacement of figures; for instance, \$.95 posted as \$95, or \$975 posted as \$975. In the latter case, the amount of the error would be \$965.25. The quotient of 96525 divided by 99 is 975, the number transplaced. If the amount of the error is exactly divisible by 99, note the quotient; look in your journal for this amount, and trace it to your ledger.

5. If the amount of the error is exactly divisible by 9, it *may* be due to a transposition of figures; for instance, 95 posted as 59, or 904 posted as 940. The error in either of these cases would be 36, and the quotient obtained by dividing by 9 would be 4, the difference between the two figures transposed. But in such cases it is usually best to proceed as directed in the next paragraph (6).

6. If the error is not discovered by any of these methods, it will be necessary to check the postings from the journal to the ledger, being careful to check the amounts in both books as explained on page 25.

How to Correct an Error. — Make no erasure of anything written in ink. Rule a red-ink line through the incorrect entry, and write the correct entry above it.

STATEMENTS OF RESULTS

In addition to keeping the accounts, the bookkeeper must be able to show at any time the general condition of the business and whether it is profitable or unprofitable. This is usually done at the end of each year, but it may be required at more frequent intervals.

For this purpose, the bookkeeper makes two detailed statements. One is known as the Business Statement, or Statement of Losses and Gains; it shows all the losses and gains and indicates the sources from which they arose. The other is known as the Financial Statement, or Statement of Resources and Liabilities; it shows what property, or resources, the business owns, and what debts, or liabilities, it has outstanding. The latter statement is frequently spoken of as a Balance Sheet.

These statements of results should be written up before closing the ledger, a process which is explained later. They show in compact form, convenient for the proprietor's inspection, the same results of the business as are later shown on the pages of the ledger by the closing process.

To be able to write statements of results and to close the ledger intelligently, the student should know definitely the meaning of certain terms used: the following definitions should be thoroughly learned.

An Account is a systematic collection of the debits and credits of the same name under one head.

The General Results shown by the difference between the two sides of accounts are Losses, Gains, Resources, and Liabilities.

A Loss is what a thing costs more than it produces.

A Gain is what a thing produces more than it costs.

A Resource is what the business owns.

A Liability is what the business owes.

In preparing statements of results of your Flour and Grain business, as of March 31, 19—, you can secure most of the necessary data from the trial balance of the same date, referring to the ledger when necessary to obtain additional facts or a clearer understanding of the accounts.

But there is one resource that is not shown on your books at present, namely, the value of merchandise on hand. It may seem to you at first that the difference between the two sides of the Merchandise account should be the value of goods on hand. This is not the case for the reason that goods bought are debited at cost price, while goods sold are credited at selling price.

An Inventory is a resource or liability not shown, or not correctly shown, by items posted to the ledger. The amount of an inventory of property is found by "taking stock," or making a list of the property on hand.

The ordinary method of taking an inventory of merchandise, that is, finding the value of goods on hand, is first to determine the quantity of goods on hand by going through the stock, and then to compute its value at the cost price. This is assumed to be the present value of the goods, unless there has been a decided rise or fall in the market price since they were purchased. You may suppose that an inventory of merchandise has been taken with the following result. Copy this in Blank No. 1, in the part set aside for inventories.

INVENTORY, MAR. 31, 19—

| | | | |
|------------------|-------|--------|---------|
| 2830 bu. Corn, | 35¢, | 990.50 | |
| 1250 " Oats, | 30¢, | 375. | |
| 400 " Rye, | 55¢, | 220. | |
| 213 brls. Flour, | 3.00, | 830.70 | 2416.20 |

HOW TO MAKE OUT A BUSINESS STATEMENT

Every business will have certain accounts which indicate a gain or a loss to the business, such as Merchandise, Expense, Interest, Discount, Real Estate, Furniture and Fixtures, and other accounts of a similar nature. These are called Business Accounts, to distinguish them from the rest, which show no gain or loss. The chief business account of any mercantile business will be Merchandise, for it is from the buying and selling of goods that the principal profit is derived. The business statement shows the gain or loss arising from each and all of the business accounts. The form of such a statement is shown at the top of the opposite page.

At the top of a page of journal paper write *Business Statement, Mar. 31, 19—* (current year). All losses are then to be entered in the left-hand or debit column of the statement, and all gains in the right-hand or credit column.

Business Statement, Mar. 31, 19—

| | | LOSSES | GAINS |
|---------|---------------------------|---------|-------|
| Model: | Value of inventory | 422 | |
| " | Excess of cost over sales | 1736.50 | |
| " | Gain | | 558 |
| Expense | Loss | 126.50 | |
| | | 558 | 558 |

1. The amount of merchandise which you have on hand, as shown by your inventory, is \$2416.20. Write this sum after *Merchandise, value of unsold*; write it short, as shown in the above model.

2. The excess of the debit over the credit side of your Merchandise account, as shown by your trial balance, is \$1736.50. Enter this amount after *Merchandise, excess of cost over sales*, writing it directly under the amount of the inventory, as shown in the model.

3. It is evident, from the above, that you have paid out \$1736.50 more than you have received for merchandise, and if you had no goods on hand, your loss would be \$1736.50; but it is estimated that the goods you have on hand are worth \$2416.20, and could be sold immediately for this amount, so in reality you have a profit of \$679.70 ($\$2416.20 - \$1736.50 = \679.70). Write the amount of your profit in the Gain column after *Merchandise, Gain*. (See model.)

4. The debit side of your Expense account is \$104 greater than the credit side, indicating a loss of \$104 on expense. Place this amount after *Expense* in the Loss column.

5. Find the totals of Loss and Gain columns. The total of your Gain column is \$679.70, and the total of your Loss column is \$104; the difference between these totals is \$575.70. As the Gain column is the greater, it is evident that the business has made a profit, during February and March, of \$575.70. Write this amount in the left-hand column in red ink after the words *Net Gain*, which should also be in red ink. Now rule and foot both columns, and write the footings as illustrated in the model. The net gain item is written in red ink, because that is the rule whenever the entry indicates the difference between two columns, or between two sides of an account. Such red ink entries are always placed on the smaller side, and show that the opposite side or column is greater than the column containing the red ink entry by the amount of such entry.

HOW TO MAKE OUT A FINANCIAL STATEMENT

Accounts which, as a rule, show either a resource or a liability are called Finance Accounts, since they represent money value or money indebtedness. They represent the resources, or property, of the business, and its liabilities, or debts, and include such accounts as Cash, accounts with persons, Bills Receivable, and Bills Payable.

The difference at any time between the resources and the liabilities of any business

will show the present worth of that business, and the Proprietor should have credit for this amount. To ascertain the present worth of your business on March 31, you should make out a financial statement, such as is illustrated by the following form.

Financial Statement, Mar. 31, 19—

| | ASSETS | LIABILITIES |
|-------------------------------|--------------------------|--------------------|
| <i>Merch.</i> | <i>as per Inventory</i> | |
| <i>Cash</i> | <i>amount on hand</i> | <i>12530</i> |
| <i>W. A. Scott</i> | <i>balance due</i> | <i>2750</i> |
| <i>A. H. French & Co.</i> | " " | <i>5245</i> |
| <i>E. H. French & Co.</i> | " " | <i>9280</i> |
| <i>W. Emerson & Sons</i> | " " | <i>3880</i> |
| <i>Wm. Archer</i> | <i>notes on hand</i> | <i>745</i> |
| <i>A. H. French & Co.</i> | <i>owed them</i> | <i>1210</i> |
| <i>Wm. Emerson & Sons</i> | " " | <i>1865</i> |
| <i>A. H. French & Co.</i> | " " | <i>432</i> |
| <i>Wm. Archer</i> | <i>notes outstanding</i> | <i>1865</i> |
| | | <i>90125 90125</i> |

At the top of a page of journal paper write *Financial Statement, Mar. 31, 19—* (current year). Write on the statement the names of all accounts in your ledger except your own, Expense, and Loss and Gain, as shown in the above model, but do not yet put any figures in the amount columns. The left-hand or debit column of your statement is used for your resources; the right-hand or credit column is used for your liabilities. In making up your statement all resources should be given first, then the liabilities.

It will be noted that Merchandise account appears in both the business and the financial statements. Since Merchandise account shows a gain or a loss, it is a business account, and must be made a part of the business statement; but it also shows a resource in the form of an inventory, and therefore must be included in the financial statement. Any business account that has an inventory must be included in the financial statement as well as in the business statement.

1. After *Merchandise*, in the Resource column, enter the value of merchandise you have on hand, as shown by your inventory (\$2410.20).
2. The debit side of your Cash account, as shown by your trial balance, is \$1145.50 more than the credit side. Write this amount after *Cash* in the Resource column.
3. The debit side of your Bills Receivable account, as shown by your trial balance, is \$600.50 more than the credit side. Enter this amount in your Resource column.
4. The debit side of the account of W. A. Scott, as shown by your trial balance, is \$377 more than the credit side, which indicates that W. A. Scott owes your business this amount. This is a resource, and should be entered after *W. A. Scott* in the Resource column.
5. Treat the accounts of S. A. Dodge & Co., F. S. Sumner, E. H. French & Co., Emerson & Sons, Wm. Archer & Co., Weston & Hill, and Roberts Bros. in a similar manner.

6. By referring to your trial balance, you find that the credit side of your Bills Payable account is \$845 more than the debit side, hence you have a liability of \$845 in outstanding notes. This amount should be entered after *Bills Payable* in your Liability column.

7. Your trial balance shows that the credit side of the account of A. J. Lane is \$302 more than the debit side, which shows that you owe A. J. Lane \$302. This is a liability of the business, and should be entered after *A. J. Lane* in the Liability column.

8. Treat the accounts of W. H. Stevens, F. A. Smith & Co., Rice, Miller & Co., H. S. Clough & Co., and Kidder & Hill in a similar manner.

9. Find the difference between your Resource and Liability columns. It is \$3042.70. Write this amount in your right-hand column, in red ink, after the words *Present Worth*. The difference between the resources or property of any business and its liabilities or debts will show the present worth of that business. In case the liabilities or debts should exceed the resources or property, it is evident that there would be no present worth, and that the business would be insolvent; that is, it could not pay its debts if called upon to do so. Rule and foot as in model.

Now make out a proof of your financial statement, following the form shown below.

Proof of Statement, Mar. 31, 19—

| | | | |
|---------------------|------------|----------------|---------|
| <i>L. S. Martin</i> | Proprietor | Invested | 3300. |
| | | Withdraw | — 25 |
| | | Net investment | 3158.75 |
| | | Net Gain | 431.50 |

The amount of the Proprietor's investment is taken from the credit side of his ledger account. In your ledger this amount is \$2500. The amount of his withdrawals is taken from the debit side of his ledger account. In your ledger this amount is \$33. Subtract the withdrawals from the investment, to find the net investment, in your case \$2467. Enter this in the left-hand money column, as illustrated in the model.

The net gain of the business, as shown by your business statement, is \$575.70. Write this amount after *Net Gain*.

Your net gain added to your investment should give the present worth of the business, which is \$3042.70. Write this after *Present Worth*, in red ink, as in the model. The amount \$3042.70 agrees with the amount shown in the financial statement, hence the statement is correct. If the business shows a loss, the amount of the loss should be subtracted from the net investment to find the present worth.

HOW TO CLOSE THE LEDGER

The next two pages represent a model ledger properly closed and ruled. The student should carefully examine the form and ruling.

J. P. Harris
PRINTER

Publication

29 -
Jan 25

7-2-1921

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3. *Helianthus* 3 ss. 17

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705277

Feb. Bunt North 655297

11

Merchandise

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1836 Jan 24

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5. 2. 2. 2.

2

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7. 34:54.

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5 June

S. linearis 7-197
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2. 2. 2. 2. 2.

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Dear John

2 75/67

25-17

713

4-

Cash

| | | | |
|---------------|---------|-----------|----------|
| 19 - | | | |
| Jan 1 | 1 6500 | Jan 12/13 | 1 1836 |
| 4 | 2 62260 | 5 | 3 125 |
| 6 | 3 598 | 10 | 4 5250 |
| 15 | 5 31357 | 13 | 5 2120 |
| 18 | 6 742 | 20 | 6 1260 |
| | 7 473 | 25 | 7 200 |
| | | 30 | 8 127150 |
| | | | |
| 19 - | 877547 | | 877547 |
| Jan 1 Balance | 42747 | | |

C. B. Case

5

| | | | |
|--------|---------|--------|--------|
| 19 - | | | |
| Jan 12 | 4 3120 | Jan 15 | 5 3117 |
| 26 | 7 94225 | | |

L. E. Triple

| | | | |
|---------|---------|--------|--------|
| 19 - | | | |
| Jan 130 | 8 78150 | Jan 15 | 5 2000 |
| | | 25 | 7 3450 |

Bills Receivable

| | | | |
|------------|-------|--------|-------|
| 19 - | | | |
| Jan 10 ds. | 4 702 | Jan 18 | 6 702 |
| 16 60 " | 5 144 | | |

Bills Payable

| | | | |
|--------|--------|------------|--------|
| 19 - | | | |
| Jan 20 | 6 1260 | Jan 10 ds. | 4 1260 |
| | | 20 4, mtd. | 6 1877 |

When you began the closing process, your ledger was in balance, as shown by the trial balance. A double-entry ledger should always be in balance; that is, its debits should always equal its credits. In closing the Merchandise account you made a credit entry of \$2416.20 with no corresponding debit. But by transferring this amount, in black ink, to the debit side of Merchandise on the first line below the ruling under date of April 1, you restore the equilibrium of the ledger, so far as this entry is concerned. You also show what the merchandise has cost which you now have on hand.

All red ink entries which you make in your ledger must be transferred to the opposite side of the account in which they are made, or to the opposite side of some other account; otherwise the ledger will be thrown out of balance.

You made an entry of the gain (\$670.70), in red ink, on the debit side of your Merchandise account, with no corresponding credit. Transfer this amount, in black ink, to the credit side of the Loss and Gain account, writing the ledger page of Merchandise account in the folio column, *Mdsc.* in the explanation column, and the date in the date column (see illustration below); also write the ledger page of Loss and Gain account in the folio column of the Merchandise account. You have now restored the equilibrium of the ledger

Loss & Gain

¹⁹⁻
Mar. 31 Mdsc.

1 1207 80

and placed the amount of your gain from merchandise on the gain side of the Loss and Gain account. All gains of the business are placed on the credit side of this (Loss and Gain) account, and all losses on the debit side. In the space for the explanation we write *Mdsc.* to indicate the source from which the gain was derived. On page 38 the student should trace the gain from the Merchandise account to the Loss and Gain account.

Expense. — The debit side of the Expense account is \$104. As there is nothing on the credit side, it is evident that expense has cost the business \$104. Write the amount of this loss, with date, explanation, and folio, on the credit side of the Expense account, in red ink, and rule and foot the account. (See illustration below.)

2

Expense

¹⁹⁻
Feb. 13

2 1 50

15

5 60

28

7 2 50

Mar. 1

7 1 50

20

10 45

31

12 65

53 2 50

53 2 50

Transfer the loss (\$104) of the Expense account to the debit side of the Loss and Gain account, thus restoring the equilibrium of the ledger. Write *Expense* on the same line with the amount to show what account caused the loss. Do not forget to write the page of expense account in the folio column of Loss and Gain account, and the page of Loss and Gain account in the folio column of Expense account. (See illustration below.)

3

| | | | |
|------------------------|--------|-------------------------|-----------|
| <i>Loss & Gain</i> | | | |
| <i>Mar. 31 Expense</i> | 2 | <i>Mar. 31 Net Loss</i> | 1 1207.50 |
| | 532.50 | | |

Loss and Gain. — Your Loss and Gain account now contains on the debit side the names of all accounts that show a loss to the business, and on the credit side the names of all accounts that show a gain. As all the gains and losses are given, it is evident that the difference between the sides of the Loss and Gain account will show the net gain or net loss to the business. As the credit side of this account is \$575.70 in excess of the debit side, it is evident that the business has made a net gain of \$575.70. Enter this amount on the debit side of the Loss and Gain account, in red ink, writing the name of the proprietor (yourself) in the explanation column, and the date in the date column; and rule and foot the account. (See illustration below.)

5

| | | | |
|------------------------|--------|-------------------------|-----------|
| <i>Loss & Gain</i> | | | |
| <i>Mar. 31 Expense</i> | 2 | <i>Mar. 31 Net Loss</i> | 1 1207.50 |
| | 532.50 | | |
| | | 1207.50 | 1 1207.50 |

As the proprietor has increased the value of the business by conducting it so as to make a net gain, the amount of the net gain (\$575.70), as shown by the Loss and Gain account, should be transferred to the credit of the Proprietor's (your) account. Write, in black ink, on the credit side of the Proprietor's account, *Mar. 31, Net Gain, \$575.70*. Write the proper page number in the folio column of each account. (See illustrations above and below.)

1

| | | | |
|------------------------|-----|-------------------------|----------|
| <i>Student's Names</i> | | | |
| <i>Feb. 1</i> | 7 | <i>Mar. 31 Net Gain</i> | 1 575.70 |
| | 125 | | |
| <i>Mar. 31</i> | | | 1 575.70 |

Proprietor's Account. — The debit side of the Proprietor's account shows withdrawals to the amount of \$33; the credit side shows an investment of \$2500 and the gain \$575.70, making a total of \$3075.70. It is evident that the present worth of the business is the difference between the two sides of the Proprietor's account. This difference is \$3042.70. Make an entry on the debit side of the Proprietor's account, in red ink, for this amount, and rule and foot the account. Transfer the amount, in black ink, to the opposite side of the Proprietor's account on the first line below the ruling, with the date *Apr. 1* and the current year.

(The following represents the form of a Proprietor's account properly ruled and footed.)

| | | | |
|-----------------------------------|--------|----------------------------------|-----------------------------|
| <i>Student's Name</i> | | | |
| ¹⁹⁻⁻
<i>Feb. 28</i> | 7 125 | ¹⁹⁻⁻
<i>Feb. 1</i> | 1 7000 |
| <i>Mar. 31</i> | 12 152 | <i>Mar. 31</i> | <i>Net Gain</i> 3 67530 |
| | 767530 | | 767530 |
| | | <i>Apr. 1</i> | <i>Present Worth</i> 740030 |

Closing Finance Accounts. — It is not customary to close any accounts but the business accounts and Proprietor's account. If a personal account balances at any point, it should be ruled, as directed on page 26 and illustrated on page 39. If it is desired to close any finance account at any time, this may be done by finding the difference between the two sides and entering it on the smaller side, in red ink, writing the word *Balance* in the explanation column. (See Cash account in model ledger, page 39.) The account should then be ruled and footed and the balance transferred, in black ink, to the opposite side of the account below the ruled lines, with the date of the following day.

Use of Red Ink. — Notice the fact that the closing entries in the ledger are made in red ink, and that all transfers are made in black ink. When an entry is made in red ink in closing the ledger, it signifies that the amount is on the opposite side from where it belongs according to the rules for journalizing. Never enter the same item twice in succession in red ink; but always see that an item entered in red ink is entered on the opposite side in black. (Some accountants use no red ink, but make all entries, and even rulings, in black. The beginner, however, will find that the proper use of red ink will help him to avoid errors.)

Inspection by Teacher. — Your ledger is now closed. Present the work to your teacher for inspection, after making sure that every detail has received proper attention, and that no dates, page marks, or explanations have been omitted.

PROOF TRIAL BALANCE

After closing the ledger, the student should take off a proof trial balance in order to be sure that the ledger is in balance before making additional entries in it.

At the top of a sheet of ordinary journal paper, write the heading *Proof Trial Balance*, *Mar. 31*, and the current year. Do not write the names of the accounts in the explanation

column, if the amounts are sufficient for this work, but insert the ledger page numbers, as 100, in the 40 to column. Begin with the first account in your ledger. If the balance is on the debit side, write the balance in the debit column of your proof trial balance; if the balance is on the credit side, write the balance in the credit column. In the present instance the balance as shown by your Proprietor's account is \$3042.70. Enter this in the credit column of your trial balance. The balance as shown by your Merchandise account (as brought below the ruled lines) is \$2419.20. Enter this in the debit column of your trial balance. There is no balance shown by Expense account or Loss and Gain account, so omit these accounts from your trial balance. The balance shown by your Cash account is \$1145.50. Enter this in the debit column of your trial balance. Continue this process until the balances of all the accounts in your ledger have been placed on your trial balance, then foot your trial balance. If it balances, present it to your teacher for examination and approval.

TEST LEDGER NO. 1

You are now ready to proceed with test ledger No. 1, as follows:

1. Rule off all personal accounts that balance.
2. Take a trial balance.
3. Make business and financial statements; inventory of merchandise is \$2530.45.
4. Close the ledger according to instructions given below.
5. Take a proof trial balance.
6. Present all your work to the teacher for examination and approval.

How to close Test Ledger No. 1. —Write, in red ink, on the credit side of the Merchandise account, *Inventory*, with the amount, \$2530.45, and the date Sept. 30. Then find the difference between the two sides of the account, being sure to add the inventory to the credit side. Enter the difference on the smaller side of the account, the debit side in this instance, in red ink, writing also the word *Gain*, and the proper date and page number. Rule and foot the account. Transfer the inventory to the debit side of the Merchandise account with date of *Oct. 1, 19—*, and transfer the gain to the credit side of Loss and Gain account, writing the date *Sept. 30*, the Merchandise folio, and the amount. In what color should transfers be made? (See pages 41, 43.)

Write on the credit side of Expense account, *Sept. 30, Loss, 1, \$125*, in red ink. Rule and foot the account. Transfer the red-ink entry to the opposite side of Loss and Gain account.

Close your Loss and Gain account into the Proprietor's account by writing, in red ink, on the smaller side of the Loss and Gain account, *T. M. Hunter*, and the difference between the sides. Rule and foot the account. Transfer the red-ink entry to the opposite side of T. M. Hunter's account, in black ink, with the explanation, *Net Gain*.

Close T. M. Hunter's account by writing, in red ink, *Present Worth*, on the debit side with the amount necessary to balance the account. Rule and foot. Transfer the present worth to the opposite side of T. M. Hunter's account, with date *Oct. 1*.

Remember that closing or balancing entries are always first made in red ink, and transfers in black ink.

TEST LEDGER NO. 2

Test ledger No. 2 is a little more extensive than test ledger No. 1. The amount of the merchandise inventory is \$4502.00.

Rule off all accounts that balance, take a trial balance, make statements, close the ledger,

take a proof trial balance, and present all the work to your teacher for examination and approval.

How to close Test Ledger No. 2. — Close Merchandise account as in test ledger No. 1, and as in your ledger for March.

Close Expense account as in test ledger No. 1, and as in your ledger for March.

Close Loss and Gain account as in test ledger No. 1, and as in your ledger for March.

Close T. W. Bowen's account as the Proprietor's account is closed in test ledger No. 1, and in your ledger for March.

Be sure that you transfer all red-ink entries to the opposite side of the ledger. Always make closing or balancing entries in red and transfers in black.

Make sure that all dates and page numbers are properly entered.

QUESTIONS

1. Define buying on account. Define selling on account.
2. When are personal accounts credited? When debited?
3. Give full directions for checking the posting. What is the object of this checking?
4. Why should the Merchandise account be debited for freight and drayage on merchandise?
5. Why should the proprietor be debited for money taken from the business?
6. Define a promissory note.
7. What are bills receivable?
8. When should Bills Receivable account be debited? When credited?
9. What are bills payable?
10. When should the Bills Payable account be credited? When debited?
11. Why are others' written promises spoken of as Receivable and your own written promises as Payable?
12. Which side of Bills Receivable account is always the larger if there is any difference? Why?
13. Which side of Bills Payable account is always the larger if there is any difference? Why?
14. Name other accounts on which you may always know which side is the larger if there is a difference. Give reason.
15. Define indorsement. What is the effect of an indorsement?
16. How does the trial balance of March 31 differ from those previously taken?
17. Name and define the statements of results. By what other names are these statements known?
18. What is the purpose of making out these statements? When and how often are they made?
19. Define an account; a loss; a gain; a resource; a liability.
20. Define an inventory.
21. Why is it necessary to take an inventory of merchandise before making a statement?
22. How is a merchandise inventory taken?
23. What price is given the goods?
24. Define business accounts. Give examples of such accounts.
25. What information should a business statement contain?
26. Define finance accounts. Give examples. In what statement should these accounts appear?
27. What accounts should be included in both statements?
28. How is the present worth of any business determined?
29. Explain the method of taking a proof of the financial statement.
30. What class of accounts should be closed first?
31. What should be done with inventories? Why?
32. Why is it necessary to enter the resource inventory on the credit side in order to find the loss or gain on the account?
33. In what color should inventories appear on the ledger? Why?

34. In what color should closing entries always be first written? Why?
35. In what color should transfers always be written? Why?
36. What is the object of opening a Loss and Gain account in the ledger?
37. When all transfers have been made, what should the credit side of the Loss and Gain account show?
38. What should the debit side of the Loss and Gain account show?
39. What should the difference between the two sides of the Loss and Gain account show? To what account should this difference be transferred? Why?
40. How should the Proprietor's account be closed?
41. Where should the Proprietor's present worth appear after the ledger is closed?
42. Where should the inventory of merchandise appear after the ledger is closed?
43. If finance accounts are closed, what is the process?
44. What is the object of a second trial balance after closing the ledger? How is it taken?

BRIEF SUMMARY OF RULES FOR JOURNALIZING

Each Account Representing Property, Expenses, or Allowances — General Rule

| | |
|--|---|
| <i>Debited</i> when the thing represented comes into the business or when it costs the business value. | <i>Credited</i> when the thing represented goes out of the business or when it produces value for the business. |
|--|---|

The following are special cases of the above; notice that each special rule agrees with the general rule.

Cash

Debited for all cash received. — Rule 4.

Credited for all cash paid out. — Rule 4

Merchandise

Debited for the cost price of all goods bought for the purpose of selling; and for freight, cartage, etc., on merchandise. — Rules 5 and 13.

Credited for the sale price of all goods sold. — Rule 6.

Real Estate

Debited for the cost of houses and lands purchased, and for sums paid for their improvement and permanent repair.

Credited for the sale price of houses and lands sold, and for any returns such as rent.

Expense

Debited for all expenses of the business. — Rule 3.

Credited with returns on anything previously debited to expense.

Bills Receivable

Debited when another's written promise comes into the business. — Rule 15.

Credited when the business disposes of, or gives out, another's written promise. — Rule 17.

Bills Payable

Debited when the business redeems, or pays, its own written promise. — Rule 18.

Credited when the business issues, or gives out, its own written promise. — Rule 16.

Interest

Debited when interest is allowed by the business to others (for then it costs the business value).

Credited when interest is allowed to the business by others (for then it produces value for the business).

Discount

Debited when discount is allowed by the business to others (for then it costs the business value).

Credited when discount is allowed to the business by others (for then it saves or produces value for the business).

Each Personal Account

Debited when the person becomes indebted to the business or when the business pays him on account. — Rules 7, 10, and 12.

Credited when the business becomes indebted to the person or when he pays the business on account. — Rules 8, 9, and 11.

The Proprietor

Debited for all cash, merchandise, etc., *Credited* for all amounts which he in which he takes out of the business. Rule 14. vests in the business. Rule 2.

JOURNAL ENTRIES OF MORE THAN TWO ITEMS

The ability to determine readily the debits and credits of any given business transaction is an essential qualification of a competent bookkeeper. If the teacher considers additional drill necessary for developing this ability, the following exercises (pages 47-52) will be found useful.

We have learned that the debits and credits of every transaction must be equal in amount. In the preceding work each transaction requires but one debit item and one credit item. However, an entry may consist of several debits and one credit, several credits and one debit, or several debits and several credits; but in every instance the sum of the debits of any transaction must equal the sum of the credits.

Journalize the following transactions on loose journal paper, making constant use of the rules on pages 46, 47.

Several Debits and One Credit

JANUARY 1, 19—Sold F. E. Clark 25 brls. beef at \$16; total, \$400. Received in part payment cash, \$150. Balance on account, \$250.

INSTRUCTIONS.—In this case it is clear that *Cash* is to be debited for \$150, and *F. E. Clark* for \$250; while *Merchandise* is to be credited for \$400. The following illustrates the form of entry required for this kind of transaction.

| | |
|--|---|
| <i>Cash</i>
<i>J. E. Clark</i>
<i>Merch.</i> | 1
Sold Merch. 225
25 brls. Beef 25 375
Received in part
payment, \$150. 600 |
|--|---|

Instead of an entry in the above form, many bookkeepers would make two separate entries, one debiting *F. E. Clark* and crediting *Merch.* for \$400, and the other debiting *Cash* and crediting *F. E. Clark* for \$150. That is, the transaction would be treated as though divided into two separate ones. Either method is correct; notice that the final result in the ledger accounts would be the same by both methods.

Every one of the following transactions could in a similar way be divided up into two or more transactions each requiring a journal entry of one debit and one credit. The teacher will find it a helpful exercise to require entries in both forms, with a comparison of the results in each case.

JANUARY 2.—Sold Albert Stewart 30 brls. apples at \$3; total, \$90. Received in part payment cash, \$55. Balance on account, 30 days, \$35.

JANUARY 3.—Sold J. D. Lawrence 55 brls. flour at \$7, 25 brls. beef at \$16.50; total, \$797.50. Received in payment cash, \$275, and his 30-day note for the balance, \$522.50. (What are the two accounts debited?)

JANUARY 4.—Sold D. C. Schneider 100 brls. apples at \$3.50, 50 bu. potatoes at 60¢; total, \$380. Received in payment his 30-day note, \$100; John Smith's 10-day note, \$80; cash for the balance, \$200. (Debit *Bills Receivable* separately for each of the two notes; the entry will have three debit items.)

JANUARY 5 — Frank Miller, being unable to pay in full his 6 months' note for \$1000 which you hold and which is due to-day, arranges with you to renew one-half of the note for 30 days. Consequently, he gives you, for his old note, \$500 cash and a new note for \$500.

Several Credits and One Debit

JANUARY 6. — Bought of Marion Douglas 250 brls. flour at \$7; total, \$1750. Gave in part payment cash, \$875, and my 60-day note for \$500. The balance, \$375, is to remain on account.

The following illustrates the form of entry for this kind of transaction.

| | | | |
|-----------------------|-----------------------|------------------------|-------------|
| <i>Debit</i> | <i>Marion Douglas</i> | <i>250 brls. flour</i> | <i>1750</i> |
| <i>Cash</i> | <i>875</i> | | |
| <i>My 60-day note</i> | <i>500</i> | | |
| <i>Balance due</i> | <i>375</i> | | |
| | <i>Total</i> | | <i>375</i> |

JANUARY 8. — Bought of Henry Lindlinger 100 bu. peas at \$2.35, 25 bu. clover seed at \$4.50; total, \$347.50. Delivered in payment my 30-day note for \$200, and cash for the balance, \$147.50.

JANUARY 9. — Received cash, \$750, from Benj. D. Collins in payment of balance due on his account, \$150; in payment of his note due to-day, \$300; and also to pay for bill of goods sold him to-day as follows: — 5 hf. cts. Japan tea, 375 lbs., at 30¢ per lb.; 10 mats Java coffee, 750 lbs., at 25¢ per lb.; total, \$300.

Several Debits and Several Credits

JANUARY 9 — Bought of C. N. Brown 10 brls. sugar, 2600 lbs., at 5¢, \$130; 5 shares City Bank stock at \$125, \$625. Gave in part payment cash, \$200, and my note for \$200; the balance to remain on account, \$355.

The new feature here is the purchase of City Bank stock. The general rule applies: debit what comes into the business or costs value. The only question in any such case is what name to give the account. Some would make it *Stocks and Bonds*; others, *City Bank Stock*. The following illustrates the form of entry required for this kind of transaction.

| | | | |
|------------------------|--------------------|-----------------------|-------------|
| <i>Debit</i> | <i>C. N. Brown</i> | <i>10 brls. sugar</i> | <i>130</i> |
| <i>City Bank Stock</i> | <i>5 shares</i> | <i>625</i> | |
| <i>Cash</i> | <i>200</i> | | |
| <i>My 60-day note</i> | <i>200</i> | | |
| <i>Balance due</i> | <i>355</i> | | |
| | <i>Total</i> | | <i>1300</i> |

JANUARY 10. — Bought of John Hamilton a house and lot for \$5000; also 500 brls. apples at \$4, \$2000. Gave in payment John Smith's note for \$1500; my 60-day note for \$3000; and cash, \$2500. (Debit *Real Estate* for the cost of the house and lot.)

JANUARY 11. — Sold Norris Bros. 1000 bu. wheat at \$1; total, \$1000. Received in payment my note, now due, for \$500, and John Brown's note for \$525. I pay Norris Bros. the difference in cash, \$25.

JANUARY 12. — Student (the business) owes Henry Nussbaum \$500 on a note, and \$300 on account. Both amounts being now due, student pays them by delivering to Nussbaum cash from the business, \$700, and from his private funds (an additional investment), \$100.

SUPPLEMENTARY EXERCISE — No. 1

The entries for this supplementary exercise are to be made on loose journal and ledger paper. If you are in doubt as to the correctness of a journal entry which you are about to make, refer to the rules on pages 46, 47.

JANUARY 1, 19—. — (Student) commenced business this day with \$4000 cash capital.

JANUARY 2. — Bought of Wm. Brown, for cash, 100 brls. flour at \$5; total, \$500.

JANUARY 3. — Sold H. Davis for cash, 50 brls. flour at \$6; total, ?

JANUARY 4. — Bought of Hart & Co., for cash, 100 brls. pork at \$9, and 100 brls. beef at \$12; total, ?

JANUARY 5. — Sold Chas. D. Gordon, for cash, 25 brls. flour at \$6.25, and 50 brls. beef at \$14

JANUARY 6. — Paid rent of store in cash, \$50.

JANUARY 8. — Bought of J. D. Morgan, on account, 100 brls. flour at \$5.

JANUARY 10. — Sold A. O. Steele, on account, 50 brls. flour at \$6.

JANUARY 12. — Bought of D. Hammond, on account, 100 brls. salt at \$1.25, and 50 brls. beef at \$12.

JANUARY 15. — Sold James T. Wood, on account, 25 brls. pork at \$10.50, 10 brls. salt at \$1.50, and 30 brls. flour at \$6.

JANUARY 16. — Sold Larkin Bros., for cash, 50 brls. pork at \$10.50, and 25 brls. flour at \$6.

JANUARY 20. — Bought for cash 2 tons coal for use in store, \$10.50.

JANUARY 22. — Bought of Clark, Good & Co., for cash, 100 brls. flour at \$5.

JANUARY 23. — Received cash of A. O. Steele in full of account, \$300.

JANUARY 25. — Sold James T. Wood, on account, 40 brls. flour at \$6.

JANUARY 26. — Paid D. Hammond cash to apply on account, \$400.

JANUARY 27. — Sold Chas. D. Gordon, for cash, 25 brls. salt at \$1.50, and 25 brls. beef at \$14.

JANUARY 29. — Paid clerks' salaries for January in cash, \$175.

JANUARY 30. — Received cash of James T. Wood on account, \$200.

JANUARY 31. — Bought of D. Hammond, on account, 50 brls. pork at \$9.

Present your journal to the teacher for inspection, and, if it is approved, post the entries to the ledger (loose paper). Allow one-half page each for your (*Proprietor's*) account and *Expense*, one page each for *Cash* and *Merchandise*, and one-fourth page each for other accounts.

Foot the ledger accounts in pencil and take off a trial balance.

Present journal, ledger, and trial balance at the teacher's desk for approval.

- FEBRUARY 1, 19— Sold H. Galt, for cash, 25 brls. salt at \$ 1.50.
 FEBRUARY 2. — Bought of Hart & Co. for cash, 25 brls. lard, 5000 lbs., at $8\frac{1}{2}$ ¢.
 FEBRUARY 3. — Paid J. D. Morgan cash on account, \$ 100.
 FEBRUARY 5. — Bought of Bell Bros. & Day on account, 30 days, 10 brls. A. sugar, 2500 lbs., at $6\frac{1}{2}$ ¢, and 10 hf. chts. Japan tea, 600 lbs., at 50¢.
 FEBRUARY 6. — Paid gas bill for January in cash, \$6.50.
 FEBRUARY 8. — Sold A. O. Steele, on account, 10 brls. lard, 2000 lbs., at $12\frac{1}{2}$ ¢.
 FEBRUARY 9. — Received cash of James T. Wood on account, \$ 100.
 FEBRUARY 10. — Sold Sherman, French & Co. 60 brls. beef at \$ 14. — Received part payment in cash, \$ 240; balance on account. (For form of entry, see page 47.)
 FEBRUARY 12. — Student drew cash for private use, \$ 100.
 FEBRUARY 13. — Bought of Miller & Beach 50 brls. beef at \$ 12, and 50 brls. pork at \$9. Made part payment in cash, \$ 250; balance on account.
 FEBRUARY 13. — Received cash of A. O. Steele on account, \$ 100.
 FEBRUARY 14. — Sold D. W. Powers, on his note at 10 days, 50 brls. pork at \$ 10.50.
 FEBRUARY 15. — Bought of Chas. H. Norris, on my note at 10 days, 50 brls. flour at \$ 5.
 FEBRUARY 17. — Sold O. W. Gardner, for cash, 3 brls. A. sugar, 625 lbs., at 7¢.
 FEBRUARY 19. — Sold Freeman & Johnson, on their note at 15 days, with interest, 40 brls. beef at \$ 14. (Make no entry for the interest until the note is paid.)
 FEBRUARY 21. — Bought of Long & Martin, on my note at 10 days, with interest, 50 brls. pork at \$9, and 50 brls. beef at \$ 12.
 FEBRUARY 22. — Paid Miller & Beach cash on account, \$ 200.
 FEBRUARY 23. — Received of James T. Wood his note at 15 days in full of account, \$ 397.50.
 FEBRUARY 24. — Received cash of D. W. Powers for his note of the 14th inst., \$ 525.
 FEBRUARY 25. — Paid my note of the 15th inst. in favor of Chas. H. Norris, in cash, \$ 250.
 FEBRUARY 26. — Gave D. Hammond my note at 10 days on account, \$ 300.
 FEBRUARY 28. — Paid rent and salaries in cash, \$ 175.

Copy the inventory, as given below, into your journal, immediately following the transactions for February.

INVENTORY OF MERCHANDISE, FEB. 28, 19—

| | | | |
|-----------------------------------|------------------|--------|---------|
| 125 brls. Flour, | 5. | 650. | |
| 40 " Salt, | 1.25 | 50. | |
| 10 hf. chts. Japan Tea, 600 lbs., | .50 | 300. | |
| 7 brls. A. Sugar, 1875 lbs., | $.06\frac{1}{2}$ | 121.88 | |
| 75 " Beef, | 12. | 900. | |
| 125 " Pork, | 9. | 1125. | |
| 15 " Lard, 3000 lbs., | $.08\frac{1}{2}$ | 255. | 3401.88 |

As the business of February is a continuation of that of January, post it under the same ledger headings, opening new accounts only when they are required. Allow one-fourth page space for each new account in this month. Do not leave blank lines between the items of January and those of February in old accounts. (See model ledger on page 8.)

Your ledger now contains the entries of two months. Rule off any accounts that balance. Foot the accounts in pencil and take off a trial balance on a sheet of journal paper.

Your trial balance should show a debit balance of \$2523 for *Cash*, and a debit balance of \$2540 for *Misc.*

Make business and financial statements, according to the models on pages 35, 36. These statements should show a net gain of \$444.88, and a present worth of \$4344.88. Present the statements to the teacher for inspection, then close the ledger.

Review your work carefully, and if you are satisfied that entries and ruling are correct, hand journal, ledger, trial balance, and statements to the teacher for approval.

MARCH 1, 19—Paid Miller & Beach cash on account, \$300.

MARCH 2.—Sold Alex. Goodman, on his note at 10 days, with interest, 50 brls. flour at \$6; 10 brls. beef at \$14.

MARCH 3.—Paid February gas bill in cash, \$6.

MARCH 3.—Paid my note of Feb. 21, favor of Long & Martin, and interest, in cash; face of note, \$1050; interest, 10 days, \$1.75. (The total paid is \$1051.75. Interest to the extent of \$1.75 has been allowed to others, and has cost the business value. Debit *Bills Payable* for face of note; debit *Interest* for \$1.75; credit *Cash* for the total paid.)

MARCH 5.—Gave Bell Bros. & Day my note at 10 days, with interest, in full of account, \$462.50.

MARCH 6.—Bought of E. L. & E. B. King 50 brls. beef at \$12. Made part payment in cash, \$200; balance on account.

MARCH 6.—Sold R. H. Day, for cash, 5 hf. chts. Japan tea, 300 lbs., at 60¢.

MARCH 6.—Received cash, \$561.40, of Freeman & Johnson for their note of Feb. 10, and interest. Face of note, \$500; interest, 15 days, \$1.40. (The business has received value, \$1.40, produced by interest. Make one debit and two credits.)

MARCH 8.—Paid rent of store in cash, \$50.

MARCH 8.—Paid my note of Feb. 26, favor of D. Hammond, in cash, \$300.

MARCH 10.—Sold A. O. Steele on account, 10 days, 25 brls. pork at \$10.50; 5 brls. lard, 1000 lbs., at 10¢; 20 brls. flour at \$6.

MARCH 10.—Received cash of James T. Wood for his note of Feb. 23, \$397.50.

MARCH 11.—Received of Sherman, French & Co., in full of account, as follows: cash, \$200; their note at 60 days, \$400.

MARCH 12.—Bought of Beach & Gould, on my note at 90 days, 100 brls. flour at \$5.

MARCH 12.—Received cash of Alex. Goodman for his note of March 2, and interest. Face of note, \$440; interest, 10 days, 73¢. (Entry similar to last one for March 6.)

MARCH 13.—Sold Collins & Carpenter, 40 brls. salt at \$1.50; 50 brls. pork at \$10.50; 50 brls. beef at \$14. Received part payment in cash, \$785; their note at 30 days for balance.

MARCH 15.—Paid J. D. Morgan cash on account, \$200.

MARCH 15.—Paid my note of 5th inst., favor of Bell Bros. & Day, and interest, in cash. Face of note, \$462.50; interest, 10 days, 77¢. (Entry similar to last one for March 3.)

MARCH 16.—Bought of Leffingwell Mfg. Co., for cash, a safe for office use, \$475. (Debit *Expense*.)

MARCH 16.—Bought of Gardner & Gardner, 50 brls. beef at \$12. Paid them cash, \$300; gave them my note at 60 days for balance.

MARCH 17.—Sold Sherman, French & Co. on account, 60 days, 7 brls. A. sugar, 1875 lbs., at 7¢; 5 hf. chts. Japan tea, 300 lbs., at 60¢.

MARCH 18.—Collins & Carpenter prepaid their note of 13th inst. in cash, less discount. Face of note, \$500; discount off, 25 days, \$2.08; cash received, \$497.92. (A discount of \$2.08 has been allowed by the business to another party, and has cost the business value.

Debit *Cash* for the amount received; debit *Discount* for \$2.08; credit *Bills Receivable* for \$500, the face of the note.)

MARCH 10.—Bought of Miller & Beach, on account, 25 brls. pork at \$9; 10 brls. lard, 2000 lbs., at $8\frac{1}{2}\text{¢}$.

MARCH 21.—Sold James T. Wood, on account, 10 brls. pork at \$10.50; 10 brls. beef at \$14.

MARCH 22.—Prepaid my note of the 12th inst., favor of Beach & Gould, in cash, less discount. Face of note, \$500; discount off, 80 days, \$6.67; cash paid, \$493.33. (Debit *Bills Payable* for face of note; credit *Discount* for the \$6.67 allowed you, the amount saved or produced for the business by the discount; credit *Cash* for the amount paid.)

MARCH 23.—Received cash of A. O. Steele on account, \$150.

MARCH 24.—Paid in cash, Scrantom & Co.'s bill for books, stationery, etc., for office use, \$15.75.

MARCH 26.—Bought of J. D. Morgan, on account, 50 brls. flour at \$5.

MARCH 27.—Sold Wm. N. Marsh, 25 brls. pork at \$9; 25 brls. beef at \$14. Received cash on above, \$225; his note at 3 mos. with interest, for balance, \$350.

MARCH 28.—Gave Miller & Beach my note at 2 mos., to apply on account, \$300.

MARCH 29.—Paid clerks' salaries in cash, \$125.

MARCH 30.—Received cash of James T. Wood on account, \$100.

MARCH 31.—Sherman, French & Co. prepaid their note of the 11th inst., in cash, less discount. Face of note, \$400; discount off, 40 days, \$2.67; cash received, \$397.33. (Entry similar to that for March 18.)

Copy the following inventories in your journal and, before commencing to post, hand your journal to your teacher for approval.

INVENTORY OF MERCHANDISE, MARCH 31, 19—

| | | | |
|-----------------------|-------------------|-------|-------|
| 210 brls. Flour, | 5. | 1050. | |
| 80 " Beef, | 12. | 960. | |
| 40 " Pork, | 9. | 360. | |
| 20 " Lard, 4000 lbs., | .08 $\frac{1}{2}$ | 340. | 2740. |

INVENTORY OF EXPENSE, MARCH 31, 19—

| | |
|------------------------|------|
| Office Safe, valued at | 475. |
|------------------------|------|

The business of March, being a continuation of that of January and February, should be posted under the same ledger headings, so far as they go. Give each new account in this month one-fourth page space.

When the posting is finished, foot the accounts in pencil. Include all the items of January, February, and March, except those items that appear above rulings in accounts that have been closed. Rule off any account that balances. Take off a trial balance.

Make a business statement and present it to the teacher for inspection.

Make a financial statement, and close the ledger.

Hand your journal, ledger, trial balance, and statements to the teacher for approval.

FLOUR, GRAIN, AND PRODUCE BUSINESS -- APRIL

BUSINESS PRACTICE

You are now to act as bookkeeper for James M. Hastings, who commences the Flour, Grain, and Produce business to-day (April 1), at 146 Elm St., your city. You will receive from him a salary of \$60 per month. Your teacher will furnish you all the vouchers (business papers) and blank forms that are necessary in performing the numbered transactions which follow.

You will get the same experience you would in a real business, so far as it is possible within the limits of a school to give this experience. Bills for merchandise bought, and other business papers, will come from the pad of "Incoming Vouchers," just as they would come to the business house by mail. These papers are similar in every respect to those used in business. All papers issued by the business are to be written up by you, and all transactions must be recorded in the books exactly as in real business.

As Mr. Hastings attends to the buying and selling, and is absent from the city a large part of the time, it will be necessary that you sign and indorse notes, checks, and other papers during his absence, besides keeping the books of the business. In order to do this, you must have a power of attorney. Mr. Hastings gives this to you; take it from the top of the pad of incoming vouchers and fill out the blank spaces. Read it carefully and see what powers it confers upon you, then fold lengthwise and write on the back of the upper left-hand corner, *Power of Attorney, J. M. Hastings, April 1*, and the current year, and place the paper in the envelope called "Voucher File," which you will find in your large envelope marked "Business Forms."

A power of attorney is a legal document which confers upon the person named in it the right to perform certain acts specified therein, in the name of some other person who issues the power of attorney. It is generally witnessed by a notary public, who stamps the document with his seal.

Such a power of attorney as you have received would be presented at the bank with which the maker does business, and also at the post office and express office, as it gives the holder the right to indorse post office and express money orders in the name of the maker.

You will receive all goods purchased, deliver the goods sold, and make in the books of the business a full and complete record of all transactions which may occur.

The work in your books will not be like the work of any other student. Your selling price-list will be assigned by your teacher from the numbered lists found in the text-book, page 69. Your price-list will be unlike that of any other student, and you must adhere strictly to this price-list in order to get correct results.

Do not compare your books with those of other students. The results will be different, and you cannot learn too early the habit of self-reliance. Understand *why* you make each record, and you will succeed.

In doing the work which follows, proceed in the proper order, by performing the transaction first and making the entry for it in your books afterwards. The performance of the transaction will consist of receiving the money or business papers involved in the transaction (usually by separating them from the pad of incoming vouchers), and paying out all money and writing all papers required to be delivered to the other party to the transaction.

Before making the entry in your books for any transaction, determine first which accounts are affected by that transaction, and then determine which account is to be debited and which is to be credited, by applying the rules for journalizing which you have learned in the preceding work.

Books Kept.—The books which you will keep in this work are the journal-daybook and the ledger as principal books, and the check book as an auxiliary book.

A Principal Book is one from which or to which posting is done.

An Auxiliary Book is one which helps to complete the record by supplying certain details, but in which no debits and credits are recorded, and from which, consequently, no posting can be done.

TRANSACTIONS

No. 1.—**APRIL 1, 19—.** After reading page 53 carefully, ask your teacher to assign you a selling price-list, and take from your incoming voucher pad the cash which shall constitute Mr. Hastings's investment. After this has been done, count your cash and place it in the envelope entitled "Cash Drawer," which you will find, with others, in the large envelope of Business Forms.

Determine the debit by rule 1, page 11 or 46; determine the credit by rule 2, page 11 or 47. For transaction similar to this, see transaction No. 1, page 10. Make proper entry in your journal-daybook on the first blank page after the March journal. The following illustrates the form of your entry.

9

| | |
|------------------------------------|---|
| <i>April 1, 19 —</i> | |
| <i>Debit</i>
<i>C. E. Myers</i> | <i>Commencement 4000</i>
<i>Franssain and</i>
<i>Produce business,</i>
<i>investing cash</i> |
| | <i>4000</i> |

No. 2.—**APRIL 1.** Mr. Hastings has rented the building at 146 Elm St. from R. B. Hines; he is to pay \$100 per month rent. Pay the rent for April in cash, placing the cash in your "Cash Paid Out" envelope.

In paying out money always make payment in bills of the largest denominations possible. In this instance you should take a hundred-dollar bill. If you have occasion to pay out \$75, you should make payment by using one fifty-dollar bill, one twenty-dollar bill, and one five-dollar bill.

Take from the incoming voucher pad the lease and receipt numbered 2. All the vouchers, cards, etc., on this pad are numbered to correspond with the numbers of the transactions in this book. Be sure that the voucher number in each case agrees with the transaction number before making a book entry. Read the lease carefully and see

what rights and restrictions it mentions. Put it and the receipt in your "Voucher File" envelope.

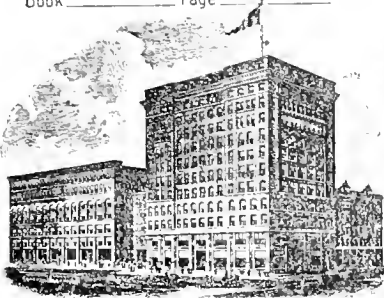
Determine the debit by rule 3, page 11 or 46; determine the credit by rule 4, page 11 or 46. The following illustrates the form of your entry.

| | | |
|----------------------------------|---|----|
| <i>Expense</i>
<i>to rent</i> | <i>1</i>
<i>Paid April rent</i> 75
<i>in cash</i> | 75 |
|----------------------------------|---|----|

No. 3.—APRIL 2. Incoming voucher No. 3 shows a cash purchase from Daniels Bros. of 200 brls. flour at \$4.20 per brl., and 400 bu. oats at 23¢ per bu.

Detach from the pad the invoice or bill, and the merchandise cards representing the flour and oats. See that you have on your cards the quantity of flour and oats called for in the bill, and if so, check each item on the bill, using pen and ink and placing a check mark in the vertical column at the left of the bill. See that the multiplications and the addition are correct, placing a check mark against each correct amount at the right. If the bill is correct, write *O.K.* with your initials underneath, in the lower left-hand corner. The following represents the form of a bill after it has been treated as explained above.

| | | | | | |
|------------|------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| Book _____ | Page _____ | <i>New York</i>
454 Avenue St. | <i>Manchester</i>
47 Nicholas St. | <i>Bros</i>
39 Canal & Chiquet | <i>Germany</i>
23, rue de la Harpe |
|------------|------------|-----------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|



SIBLEY, LINDSAY & CURR CO.

Directors:
 J. S. Sibley,
 J. H. Lindsay,
 J. F. Johnson,
 J. F. Johnson,
 J. F. Johnson

Rochester, N.Y. April 1, 19__

Sold to E. H. French

Nashua, N.H.

TERMS Cash.

| | | | | |
|-------------------------|----|-------|---|--------|
| 120 brls. N. Star Flour | 42 | 96 | 1 | |
| 120 " Pastry | 5 | 100 | 1 | |
| 130 doz C. Tomatoes | 1 | 33 | 1 | |
| 124 " C. Corn | 1 | 27 60 | 1 | 250 60 |

O.K.

Received Payment

Sibley, Lindsay & Curr Co.

per Mills

If anything is wrong with the invoice or the merchandise, ask your teacher (representing Daniels Bros.) to correct it. If they are correct, take from your Cash Drawer the money to pay the bill, and place it in "Cash Paid Out" envelope. Place the merchandise in the envelope marked "Store Room."

Determine the journal entry by referring to the rules on page 46. The following illustrates the form of your entry. As you have the invoice to refer to at any time, there is no need of inserting the items in the journal entry.

| | | | |
|--|--|--|------------------|
| <i>Inds. 250.00</i> | <table> <tr> <td data-bbox="541 365 945 560"> <i>Bot. of Lining L.</i>
 <i>100 lbs. madder</i>
 <i>per invoice</i> </td><td data-bbox="945 365 1222 560"> 250.00
 250.00 </td></tr> </table> | <i>Bot. of Lining L.</i>
<i>100 lbs. madder</i>
<i>per invoice</i> | 250.00
250.00 |
| <i>Bot. of Lining L.</i>
<i>100 lbs. madder</i>
<i>per invoice</i> | 250.00
250.00 | | |

Fold the bill lengthwise, face outward, and write across the face, *Entered*, with the date underneath. Place it in the envelope entitled "Voucher File."

No. 4. — APRIL 2. This bill (No. 4) shows a purchase from D. Deavenport & Co., for cash.

Check and O.K. the bill as in No. 3. Take cash to pay the bill from your Cash Drawer, and place in the "Cash Paid Out" envelope. Place the merchandise in the "Store Room." Your journal entry will be similar to that for No. 3. Fold the bill, write *Entered* across the face, with the date, and file as in No. 3. Follow all instructions in the exact order in which they are given.

No. 5. — APRIL 3. Mr. Hastings has taken this order from J. A. Barker, and received the cash for the goods, 50 brls. flour, 50 brls. apples.

Copy the selling price-list which your teacher assigned you on voucher No. 5 *a*, and paste it on the inside of the front cover of your text-book.

Select from your Store Room the merchandise which the order calls for, and make out a bill to J. A. Barker at your selling price on one of the blank billheads which you will find in your envelope of Business Forms. Use one of the bills in your Voucher File as a model. Place the order in your Voucher File.

After making out the bill, review your multiplications and addition so as to be positive that they are correct. Remember that bills sent from an office *must* be right. If the bill is correctly made out, its amount will agree with the cash received with the order (No. 5), and you may receipt the bill (by writing on it *Received Payment, J. M. Hastings, by* and your initials) and place the cash in your Cash Drawer.

Make the proper journal entry for the transaction. Place the merchandise and the receipted bill in the envelope entitled "Vouchers for Others."

The following illustrates the form of the journal entry.

| | | | |
|---|---|---|------------------|
| <i>Inds. 825.00</i> | <table> <tr> <td data-bbox="541 1461 945 1663"> <i>100 lbs. madder</i>
 <i>100 lbs. flour</i>
 <i>per invoice</i> </td><td data-bbox="945 1461 1218 1663"> 825.00
 825.00 </td></tr> </table> | <i>100 lbs. madder</i>
<i>100 lbs. flour</i>
<i>per invoice</i> | 825.00
825.00 |
| <i>100 lbs. madder</i>
<i>100 lbs. flour</i>
<i>per invoice</i> | 825.00
825.00 | | |

Notice that all merchandise which you sell should be itemized in your journal-daybook, while that which you buy should be entered in total only. In selling merchandise you give a bill to the person to whom the sale is made, and to preserve a complete record of the sale you must enter the items singly in your journal-daybook, for the purchaser may require of you a duplicate bill at any time, and unless you have the items in your books it will be impossible or inconvenient to prepare the duplicate.

When you buy merchandise, you receive a bill, and as this bill is on file you can refer to it at any time that you desire to examine the items, so that it is not necessary to enter more than the total in your journal-daybook.

No. 6. — APRIL 3. Bought merchandise for cash, from L. A. Wright & Co.

Detach from the pad the invoice and the merchandise cards numbered 6, and compare the merchandise cards with the items on the invoice; if they are correct, check the items and verify the calculations, and then pay the bill by taking the proper amount of cash from your Cash Drawer and placing it in the envelope entitled "Cash Paid Out."

Place the merchandise in the Store Room and make proper entry in your journal-daybook. Fold and file your invoice according to instructions given in transaction No. 3, page 56.

No. 7. — APRIL 4. You have purchased, for cash, books and stationery as per invoice.

Take the invoice from your incoming voucher pad, verify, and if it is correct, write O.K. and your initials and pay the bill, placing the cash in the envelope entitled "Cash Paid Out." Make proper entry. (Review rule 3, page 11.) Fold and file the bill.

No. 8. — APRIL 4. Sell E. M. Smythe & Co., for cash, merchandise as per order.

Perform the transaction and make the entry according to directions given in transaction No. 5, page 56. Do not forget to place the merchandise cards, with a receipted bill, in the "Vouchers for Others" envelope. Always count your cash before receipting a bill.

No. 9. — APRIL 4. You have bought merchandise on account, as per invoice, from Hatheway & Reynolds.

Detach the invoice and the merchandise cards from the pad. Verify the calculations and if the bill is correct, O.K. it, and place the merchandise in the Store Room. Make the proper entry in your journal-daybook. (Review rule 9, page 22.)

This bill is not receipted. Why not? Fold lengthwise, write *Entered* across the face, with the date, and place it in your Invoice File. Hereafter place all incoming unpaid bills in the Invoice File without further special instructions.

No. 10. — APRIL 4. FIRST REPORT. Detach the report blank (No. 10) from your incoming voucher pad and write your name, report number, and price-list number in the proper places. From your journal entries determine how much cash has been received. This will be shown by taking the sum of your cash debits. Write the amount in the amount column of the report, opposite *Cash Received*. From the cash credits in the journal find how much cash has been paid out, and write the amount in the report opposite *Cash Paid Out*. Opposite *Cash on Hand* write the difference between the cash received and the cash paid out. Count the cash in the "Cash Drawer," and if it agrees with the cash on hand as shown on the report, the cash is said to be in balance, and you may place the amount opposite *Cash in Drawer* on the report.

If the cash in drawer does not agree with the amount on the report, the discrepancy may be due to an error in the journal or to a mistake in paying out the cash. Go over all transactions where cash was received or paid to see that each has a correct entry in the journal. Also determine if the proper amount of money has been paid out by going through the transactions in the text-book, finding the sum of all cash to be paid, and comparing this amount with the total cash in the "Cash Paid Out" envelope.

Count and add the debits of merchandise in the journal, and write the number and the sum in the proper columns opposite *Merchandise Purchases* on the report. Count and add the credits of merchandise in the journal, and write the number and the amount opposite *Merchandise Sales* on the report.

These are all the results required in the first report. You will now present the report to your teacher, with your journal, and the "Vouchers for Others" and "Cash Paid Out" envelopes. Examine every voucher carefully to see that it is correctly made and checked, as well as neatly written. Poor work will not be accepted, and you would waste time to hand it in. Rewrite all work that is not your best before presenting it for inspection. If your report is correct, your teacher will O.K. it, after which you should place it in your Voucher File.

No. 11. — APRIL 5. Mr. Hastings has decided to open a bank account and has selected the Commercial Bank of your city as the institution with which to do business. Deposit \$5000 in that bank.

Method of Opening a Bank Account. — If the person who wishes to open a bank account is not acquainted with the officers of the bank, he should get some one to introduce him. At the time of the introduction the cashier takes the depositor's signature in a signature book or on a card. The following represents a signature card on which a person has signed as attorney.

FORM OF SIGNATURE CARD

| R | | |
|---|-----------|--------------------|
| NAME | BUSINESS | BY WHOM INTRODUCED |
| J. M. Hastings
by J. M. Hastings
att'y. | Dry Goods | Red & Brown |

In this instance you represent Mr. Hastings, and he has given you a power of attorney to sign his name. Take the power of attorney (No. A) from your Voucher File, and read it carefully. Next detach the blank card (No. 11) from your incoming voucher pad, and write on it the name of J. M. Hastings and your name, according to the form shown above. You should write the signature on the card in the exact manner in which you intend to write it on checks. Take the power of attorney and the card to the bank. In case there is no regular bank in the school, your teacher will receive your signature

card and transact with you the business of the bank (or will assign some other student to transact it). Replace the power of attorney in your file.

The Deposit Ticket. — Make out a deposit ticket for \$5000, according to the illustration herewith (of course filling in also the current year).

In making out a deposit ticket hereafter, always list bills, specie, and checks separately. Each check should be set down as a separate and distinct item. If the check is on a local bank, give the name of the bank. If on an out-of-town bank, give the name of the town.

Write your own name and price-list number on the deposit ticket, near the bottom. This is only for the convenience of the teacher in identifying your ticket, and would not be done in business.

Count out \$5000 in cash from the Cash Drawer and take the money, deposit ticket, and bank pass book to the bank and present them to the teller, who will receive the cash and give you credit for the amount, by entering it upon the left-hand page of the bank pass book, with the date and his initials. (If the school has no regular bank, go to your teacher, who will make the teller's entry, or will have some other student make it.)

Make a record of the deposit on the stub of your check book according to the following form, filling in the current year after the date *April 5*.

FORM OF DEPOSIT TICKET

| DEPOSITED BY | | |
|-----------------------------------|-------------|-------|
| <i>J. C. Rand</i> | | |
| IN | | |
| COMMERCIAL BANK | | |
| <i>April 5, 19</i> | | |
| PLEASE LIST EACH CHECK SEPARATELY | | |
| | Dollars | Cents |
| <i>Bills</i> | <i>5000</i> | |
| <i>Specie</i> | | |
| <i>Check</i> | | |
| " | | |
| " | | |
| " | | |
| " | | |
| " | | |
| " | | |
| " | | |
| " | | |

FORM OF STUB AND CHECK

| | |
|---|--|
| Deposited <i>April 5, 19</i> — <i>5000</i>
No. _____
Date _____
Order of _____
For _____
Amount of bill, \$ _____
Discount \$ _____ | 19 — <i>The</i>
<i>Commercial Bank</i>
Pay to the order of _____ \$ _____
<i>Dollars</i>
<i>47 East Main St.</i> |
|---|--|

Make no journal entry for this transaction. The \$5000 has not left the business, but has been placed in the bank for safe keeping and is still at your disposal.

No. 12. — APRIL 5. Sell Chas. E. Hayes merchandise on account, as requested.

Select the goods from the Store Room and check each item on the order as soon as filled. Make out the bill from your price-list, but do not receipt it. Verify your calculations and make your journal entry. (Review rule 10, page 23.)

In filling orders be sure that the proper merchandise cards accompany each bill. Unless you are careful in this respect, you will not have the right quantity of merchandise on hand when you take your inventory at the end of the month. If you have followed directions, the cards in your Store Room will then agree with the quantity of merchandise on hand.

Place the merchandise and the bill in the envelope entitled "Vouchers for Others." Fold the order lengthwise, face outward, and write *Filled*, with the date, across the face. Place the order in the Voucher File.

No. 13. — APRIL 6. This order calls for merchandise to be sold to Ellis & Rand, on account.

Select the goods and check each item upon the order as filled. Do all the other things necessary, as you did for transaction No. 12.

No. 14. — APRIL 8. This invoice of merchandise has been purchased from Smith & Dorothy, on account.

When terms are not mentioned, it is understood that the purchase is on account. Proceed as with transaction No. 9.

N.B. — The student must use great care in checking up all invoices, both as to quantity of goods bought and as to calculations. If he finds any errors, he must not correct them himself, but should report the matter to his teacher, who will make any necessary corrections (or instruct some student to make them).

No. 15. — APRIL 8. You have received \$300 cash in part payment of bill sold to Chas. E. Hayes on the 5th inst.

Count the cash, and if it is correct, write a receipt for the amount, using voucher No. 2 as model. Place the cash in your Cash Drawer and the receipt in Vouchers for Others. Make proper entry in your journal-daybook. (Review rule 11, page 24.)

No. 16. — APRIL 9. Pay Hatheway & Reynolds \$400 in cash.

Take the cash from your Cash Drawer and place it in the "Cash Paid Out" envelope, taking a receipt (No. 16) for the amount. Place the receipt in your Voucher File. Make proper entry in your journal-daybook. (Review rule 12, page 24.)

N.B. — Hereafter the student must always make the proper journal entry without being so instructed in each case. He must also do all other things called for by the transaction, as in previous cases, even if they, or some of them, are not specially mentioned.

No. 17. — APRIL 10. Bought merchandise on account from Geo. C. Cary.

Examine the merchandise and see that it corresponds with the quantities called for in the invoice. Check each item, verify the calculations, and O.K. the bill if everything is correct. (What should you do if anything is wrong?) What else should you do with the bill? (Compare with transaction No. 9.)

No. 18. — APRIL 10. This note has been received from Ellis & Rand in part payment for transaction No. 13.

Examine the note carefully. Who promises to pay the note? Who should receive credit for this note? (Review rule 15, page 28, and rule 11, page 24.) Place the note in your Cash Drawer and keep it there until it is disposed of or paid.

Notes are not cash, but are kept in the Cash Drawer for convenience only.

No. 19. — APRIL 11. Sell Chas. E. Hayes merchandise as ordered.

Select the merchandise from the Store Room and make out the bill. Verify your calculations. Place the bill and the merchandise in Vouchers for Others.

No. 20. — APRIL 12. Bought merchandise from L. A. Wright & Co. on account.

Check each item on the bill as you compare the merchandise with the items, and verify the calculations. If the bill is correct, O.K. it. Place the merchandise in the Store Room.

No. 21. — APRIL 14. Give L. A. Wright & Co. Mr. Hastings's note for \$400, at 10 days, on account.

Make out a note, using Voucher No. 18 as model; also see form of note, transaction No. 54, page 29. (Review rule 12, page 24, and rule 16, page 29.) Place this note in the envelope entitled "Bills Payable File," which you will find in your package of Business Forms. Do not lose the contents of this envelope, as you will be required to take from it each note or bill payable when it becomes due.

No. 22. — APRIL 14. Fill this order from Ellis & Rand, on account.

Select the goods and make out the bill. Do not forget to place all bills to others, with goods sold, in Vouchers for Others.

No. 23. — APRIL 16. Chas. E. Hayes has given his check to apply on account.

The check is regarded as cash, because it can be converted into cash at once by presenting it at the bank. Examine the check carefully to see that it is properly dated, filled out, and signed. Place the check in your Cash Drawer and count it as part of your cash.

A check is an order written by a depositor, requesting the bank in which he has money deposited to pay a certain amount to some person named, or to his order, upon presentation of the check. The bank will require the person named to be identified, if he is not personally known, and will also require him to indorse the check; that is, write his name across the back at the left end of the check about one and one half inches down from the end.

All checks received in business each day should be deposited the same day or the day following, because of the possibility that either the bank or the maker of the check may fail. In the student's work for this and the following month, however, deposits are made at longer intervals, in order to simplify the entries in the check book and to give practice with deposit tickets containing a number of different items.

No. 24. — APRIL 16. SECOND REPORT. Find the cash balance on your previous report and write the amount on your report blank opposite *Cash Balance, Last Report*. Find the sum of all cash debits in the journal since the previous report was made out, and write the amount opposite *Cash Received*. Find the sum of all cash credits during the same period and enter it opposite *Cash Paid Out*.

Add the cash balance, last report, to the cash received since, and from the sum subtract the cash paid out. The remainder should be entered opposite *Cash on Hand*.

To prove the work, count the money in the Cash Drawer and write the amount on the report opposite *Cash in Drawer*. But \$5000 of your money is in the bank, as shown by the stub of your check book. Write this amount opposite *Cash in Bank* on your report. Add the amount *In Drawer* and *In Bank*. The sum represents the total cash on hand and should be the same as *Cash on Hand* on your report as determined from your journal record of cash debits and credits. If this is the case your cash is in balance. If not, your cash is out of balance, and you must go over your work until you find the error.

Find from your journal, and enter on the report, the number and total amount of merchandise purchases and of merchandise sales since the preceding report; also the number and amount of notes issued by the business. The latter will be found by taking from the journal the credits of Bills Payable, which should correspond with the bills payable in your envelope entitled "Bills Payable File."

Examine your vouchers to see that they are correct in every respect. Hand the report, with your journal, Cash Paid Out, and Vouchers for Others, to your teacher.

No. 25. — APRIL 17. Give Geo. C. Cary a check for \$300, to apply on account.

Open your check book and fill out the stub as shown in the form of check-book stub

CHECK STUB FILLED OUT

| | | | |
|-----------------|------------|----------|--|
| Deposited | April 5 19 | No. | |
| Date | April 5 19 | Order of | |
| For | Geo. Cary | | |
| Amount of Bill, | \$ | | |
| Discount | \$ | | |
| Deposited | 12 | | |

herewith, filling in the current year. This is the original entry of the transaction, and should be made before the check is written. The line stating what the check is for should always be filled out.

Write the check according to the form below, filling in also the name of your city or place, and the current year.

In filling out a check be sure to write the amount in figures close to the dollar sign, and to begin writing the amount in words at the extreme left-hand end, as shown in the model, filling up the blank space after the amount with a wavy line. Failure to observe these instructions may render the maker of a check liable, in case the amount of the check should be raised by any dishonest person into whose hands it might happen to fall. Sign the check in the same manner as that in which you wrote J. M. Hastings's name upon the signature card.

You will notice that the following check is made payable to order. When a check is so written, the holder must indorse it before obtaining money for it, or before transferring it to another person. If a check is made payable to bearer, it is transferable upon delivery without indorsement. Most banks require all checks to be indorsed before they will cash them. This is not necessary if the check is payable to bearer, but the indorsement affords a means of identification should any dispute arise as to who obtained the money.

| | | | |
|--------------------------------|--------------|---------|--------|
| (Your place here) | April 17 19 | No. | 1 |
| Commercial Bank | | | |
| Pay to the order of | Geo. C. Cary | \$ | 300.00 |
| Three hundred & no | | Dollars | |
| J. M. Hastings
Student City | | | |

Remove the check from the check book and place it in the Cash Paid Out envelope. Subtract the amount of the check from the amount in the bank, and bring down the balance, as shown in the stub above. Geo. C. Cary will present this check at the bank, and when the bank pays it, the check will be charged to J. M. Hastings's account and deducted from the deposit he has made.

In order to make the check book agree with the bank account, you must subtract all checks when given and add all deposits when made. Errors in the check book are very easily made, and you must use the utmost care to prevent their occurrence.

This is check No. 1. Number the next check and stub 2, the next 3, and so on consecutively to the end of the check book. Do this now, using red ink for the purpose.

In your journal entry the account to be credited is *Cash*.

No. 26. — APRIL 10. Fill the order of T. W. Bowen & Co. on account.

Select the merchandise called for, checking each item on the order as filled. Make out the bill and verify your calculations. Place the goods and bill in Vouchers for Others.

No. 27. — APRIL 20. This check has been received from T. W. Bowen & Co., to apply on account.

This check (No. 27) is in part payment of No. 26. What account should be debited? Why? What account should receive credit? Why? Place the check in your Cash Drawer.

No. 28. — APRIL 20. Ellis & Rand's note, dated Apr. 10, is due to-day, and they have sent a check for the amount.

See that the check is properly filled out, and that the amount named in the check agrees with the amount of the note. Take the note from your Cash Drawer, write *Paid, April 20, J. M. Hastings, by*, and your own name as *Att.*, in red ink, across its face, and place it in Vouchers for Others. Place the check in the Cash Drawer. (Review rule 17, page 30.)

No. 29. — APRIL 20. Write a thirty-day note in favor of Geo. C. Cary for the balance due him.

Determine the balance due Cary by examining all entries to his account in the journal; be sure that you get the right amount. Make the note payable at your office. Proceed as you did with transaction No. 21 on page 61.

No. 30. — APRIL 23. Bought merchandise from Grunsfeld Bros. on account.

Compare the bill received and check the items. Store the merchandise. Make proper journal entry and place the bill in the Invoice File.

No. 31. — APRIL 23. Pay Grunsfeld Bros., by check, \$200 on account.

Fill out the stub of the check and deduct the amount from the balance in bank as shown on the stub. The illustration herewith represents the face of the stub of your check book properly filled out to date.

Fill out the check in favor of Grunsfeld Bros., remove it from the check book, and place in Cash Paid Out. Transfer the balance in bank, after deducting this check, to the face of the next stub, writing the amount, \$4500, at the top of the money column opposite the space above the deposit line. Write *Forl.* before the amount at the bottom of the first page of stubs, and *Brot. Forl.* before the same amount at the top of the next page of stubs; do the same on later pages.

No. 32. — APRIL 24. The note (No. 21) in favor of L. A. Wright & Co., dated April 14th, is due to-day; pay it with a check.

Fill out the stub of your check book, and deduct the amount from the balance in bank; then fill out the check, remove it from your check book, and place it in your Cash Paid Out. Receive the note from L. A. Wright & Co. by removing it from the envelope entitled "Bills Payable File." Write *Paid, April 24*, and the current year, in red ink, across the face of the note, and ask your teacher to sign L. A. Wright & Co.'s name. Place the canceled note in your Voucher File. (Review rule 18, page 30.)

CHECK STUB FILLED OUT

| | | |
|-----------------|------------------------|------------|
| Deposited | <i>April 5</i> , 19 | |
| No. | <i>1</i> | |
| Date | <i>April 7</i> , 19 | |
| Order of | <i>Geo. C. Cary</i> | 300 |
| For | <i>Balance</i> | |
| Amount of Bill, | \$ | |
| Discount—\$ | \$ | |
| | | <i>700</i> |
| Deposited | | 19 |
| No. | <i>2</i> | |
| Date | <i>April 23</i> , 19 | |
| Order of | <i>Grunsfeld Bros.</i> | 200 |
| For | <i>Balance</i> | |
| Amount of Bill, | \$ | |
| Discount—\$ | \$ | |
| | | <i>500</i> |

No. 33. — APRIL 25. Purchased merchandise from Bernet & Craft, on account.

Compare the merchandise received with the bill and check each of the items. Store the merchandise. Place the bill in the Invoice File.

No. 34. — APRIL 26. Fill the order of H. A. Woodbury, on account.

Select the merchandise called for and check the items on the order. Make out the bill and verify your calculations. Place the bill, merchandise, and order in the proper receptacles.

No. 35. — APRIL 27. J. M. Hastings requires \$75 for his own use, and he draws the amount from the business by check.

Fill out the stub of your check book, then make the check and deduct the amount from the balance in the bank, as shown on the stub of your check book. Remove the check and place it in Cash Paid Out. Determine the debit by rule 14, page 27.

When money is drawn for private use, the check should be made payable to the proprietor's name. If the cash were drawn for use in the business, the check should read, *Pay to the order of Cash*.

No. 36. — APRIL 28. Sell merchandise to T. W. Bowen & Co., as ordered. Proceed as with other such orders.

No. 37. — APRIL 30. Pay drayage bill with check.

Fill out the stub, write the check, and deduct the amount from the bank balance. (This transaction is similar to No. 42, page 26.) Place the check in Cash Paid Out.

No. 38. — APRIL 30. T. W. Bowen & Co. have given their note to apply on account. Determine the debit by rule 15, page 28. Place the note in your Cash Drawer.

No. 39. — APRIL 30. Sell merchandise to H. A. Woodbury, as ordered.

No. 40. — APRIL 30. Mr. Hastings hands you \$60 in currency, the amount of your salary.

Take this amount of money from the cash drawer, and retain it in your personal possession.

FORM OF CHECK, INDORSED

Pay to the order of
Commercial Bank.

J. M. Hastings,
by Student
Atty.

19__

BANK

Indorsed \$55.00

Tollins

B. P. Russell

No. 41. — APRIL 30. Take from your Cash Drawer all currency and all checks payable to the order of J. M. Hastings. Leave the notes payable to his order in the Cash Drawer. *They are not cash.* Indorse the checks, by writing across the back, about one and one-half inches down from the left end of the check, *Pay to the order of Commercial Bank, J. M. Hastings, by* (Student's Name), *Atty.* (See form on page 64.)

On a blank deposit ticket write opposite the word *Bills* the amount of bills in your Cash Drawer; opposite the word *Specie* the amount of your fractional currency (one-cent to fifty-cent pieces, inclusive); and on the following lines the amount of each individual check separately. To the left of the amount of each check, write the name of the bank on which the check is drawn, provided it is a local bank. If the check is on an out-of-town bank, write the name of the town.

Specie includes gold, silver, nickel, and copper coin. In making out your deposit tickets treat your fractional currency as specie.

The accompanying illustration represents a deposit ticket properly filled out.

Remember to write your own name and price-list number near the bottom of deposit tickets.

Enter the details of your deposit (date, items, and amounts) on the back of a stub in your check book, using the left-hand page that is opposite the next check that is, to be filled out, as illustrated in the form below.

Now take your deposit ticket, currency, checks, and bank pass book to the bank, or to your teacher, and the amount of your deposit will be placed to your credit in your bank pass book. After this has been done, you should enter the amount on the right-hand stub of your check book on the first deposit line following the last check written out. Add the amount of the deposit to the previous balance, as illustrated below.

FORM OF DEPOSIT TICKET

| DEPOSITED BY | | | |
|-----------------------------------|------------|-----------|--|
| <i>John T. Lyons</i> | | | |
| IN | | | |
| COMMERCIAL BANK | | | |
| <i>April 30, 19</i> | | | |
| PLEASE LIST EACH CHECK SEPARATELY | | | |
| | Dollars | Cents | |
| <i>Bills</i> | <i>305</i> | <i>00</i> | |
| <i>Specie</i> | <i>224</i> | <i>80</i> | |
| <i>Check—Coml.</i> | <i>175</i> | <i>20</i> | |
| <i>" Utica</i> | <i>206</i> | <i>85</i> | |
| <i>"</i> | <i>911</i> | <i>85</i> | |
| <i>"</i> | | | |
| <i>"</i> | | | |
| <i>"</i> | | | |
| <i>"</i> | | | |
| <i>"</i> | | | |
| <i>"</i> | | | |

| | | | | | |
|------------|---------------|---------------|---------------|------------------------|---------------|
| <i>19—</i> | <i>Apr 30</i> | <i>Bills</i> | <i>305 00</i> | <i>Deposited</i> | <i>224 80</i> |
| | | <i>Specie</i> | <i>224 80</i> | <i>By</i> | <i>911 85</i> |
| | | <i>Coml.</i> | <i>175 20</i> | <i>No.</i> | <i>303</i> |
| | | <i>Utica</i> | <i>206 85</i> | <i>Date</i> | <i>19</i> |
| | | | <i>911 85</i> | <i>Order of</i> | |
| | | | | <i>For</i> | |
| | | | | <i>Amount of Bill,</i> | <i>\$</i> |
| | | | | <i>Discount</i> | <i>\$</i> |

No. 42. — APRIL 30. THIRD REPORT. Prepare your report blank, showing cash received, cash paid out, cash on hand in the Commercial Bank, merchandise purchases and sales, and such other results as are called for on the report blank. Hand the report, to-

gether with your vouchers and journal-daybook, to your teacher. Leave your bank pass book at the bank, or with your teacher, to be balanced.

Comparing Pass Book with Stub of Check Book. It is customary to leave the pass book at the bank at least once a month to be balanced. After the book has been written up, the bank will return it to you with your checks that have been paid by the bank to date. The bookkeeper should compare the pass book and canceled checks with the stub of the check book. If all the checks issued were presented at the bank and paid before the pass book was written up, then the bank balance as shown in the pass book should agree with the balance as shown on the stub of the check book. However, if some of the checks issued have not been paid by the bank up to the time the pass book was balanced, their amount must be deducted from the balance shown in the pass book to make it agree with the real bank balance as shown on the stub of the check book.

POSTING

No. 43. — In your ledger, at the top of page 9, or the first right-hand blank page after your previous ledger, write *J. M. Hastings*; 15 lines below write *Merchandise*. At the top of page 10 write *Expense*, and 15 lines below write *Loss and Gain*.

These accounts make a section of the ledger containing all the business accounts (see page 34), or accounts showing losses or gains; the Loss and Gain account, where these gains and losses are gathered under one head (see page 38); and the account of the Proprietor, who receives the gain from the business or sustains the loss, should there be one.

On page 11 of your ledger, at the top, write *Cash*; 18 lines below write *Chas. E. Hayes*; and 15 lines below this write *Ellis & Rand*. At the top of page 12 write *T. W. Bowen & Co.*; 15 lines below write *H. A. Woodbury*; and 15 lines below this write *Bills Receivable*.

These accounts make a section of your ledger containing finance accounts (see page 35) which show in their balances resources of the business. In large business houses accounts with persons owing the business are generally kept in a separate ledger, called the "Customers' Ledger," "Sales Ledger," or "Accounts Receivable Ledger."

At the top of page 13 write *Hatheway & Reynolds*; 15 lines below write *Smith & Dorothy*; and 15 lines below this write *Geo. C. Carp*. At the top of page 14 write *L. A. Wright & Co.*; 15 lines below write *Grunsfeld Bros.*; 15 lines below this write *Bernet & Craft*; at the top of page 15 write *Bills Payable*.

This third section of your ledger will contain finance accounts which show in their balances a liability of the business.

Be sure to insert in your ledger the proper addresses for all personal accounts, as shown by your vouchers.

In business it is, of course, not practicable to write the names of all ledger accounts before posting, and they are opened in the ledger in the order in which they appear in the journal; but separate sections of the ledger should be taken for each class of accounts.

No. 44. — Post your journal entries (see directions, pages 13-17). Check back your postings (see directions, page 25). Rule off each account, or portion of an account, which balances (see page 26). Take a trial balance of ledger balances and submit to your teacher.

If the trial balance is correct, take an inventory of your merchandise from the cards found in your Store Room. You should have on hand 305 brls. apples, 200 brls. flour, 25 bu. barley, 675 bu. corn, 800 bu. oats, 1025 bu. potatoes. If you have this quantity of goods in your Store Room, find the value at the latest cost price as shown on your latest invoices. Submit the result to your teacher, and if it is correct, copy the inventory in your Blank No. 1, as you did the one on page 34.

Then make statements according to forms on pages 35 and 36.


After the statements are approved, close the ledger (see directions, pages 37-44).

An important part of any bookkeeper's work is that attention to customers' accounts which insures prompt payment of bills as they fall due. In order to call the attention of customers to the fact that payment is desired, many business houses send a statement whenever a bill is due; e.g., if John Smith & Co. bought merchandise billed at \$165, January 10th, at ten days, then on January 20th, or perhaps a day or two later, a statement like the upper one on this page would be sent him.

STATEMENT.

Folio 10

W. Lewis, M.D. June 19
W. Lewis, M.D. June 19
W. Lewis, M.D. June 19

 IN ACCOUNT WITH **F. M. PARSONS** (9)

10. 1900

TO DEBIT

May 1, 19

10. 1900

STINGS

EF

| STATEMENT | | | |
|--------------------------------|-------------------------|------------------|---------|
| Folio | <u>15</u> | <u>May 1, 19</u> | |
| (Your place here) | | | |
| M | <u>Subscribed Hayes</u> | | |
| | <u>133 Union St.</u> | | |
| IN ACCOUNT WITH J. M. HASTINGS | | | |
| 146 ELM STREET | | | |
| Apr 5 To Balance | 59.50 | | |
| " " " | 788 | | 1447.50 |
| Apr 8 By Cash | 300 | | |
| " " " | 500 | | 800 |
| | | | 1447.50 |

his attention to his indebtedness and enabling him to compare the statement with the account in his ledger, and note any difference which may appear between his books and the statement. See the second form of statement on this page, and the statement on the following page.

A competent bookkeeper will have his statements ready to send out on or soon after the first of the month, as most of them can be prepared considerably in advance of that date.

Customers' statements are pre-

APRIL PRICE LISTS

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Apples | 1.75 | 1.80 | 1.85 | 1.90 | 1.95 | 2.00 | 1.76 | 1.81 | 1.86 | 1.91 | 1.96 | 1.77 | 1.82 |
| Barley | .26 | .31 | .36 | .41 | .46 | .27 | .32 | .37 | .42 | .47 | .28 | .33 | .38 |
| Corn | .56 | .30 | .45 | .31 | .46 | .51 | .40 | .36 | .37 | .50 | .41 | .32 | .47 |
| Flour | 4.50 | 4.45 | 4.40 | 4.35 | 4.30 | 4.25 | 4.49 | 4.44 | 4.39 | 4.34 | 4.29 | 4.48 | 4.43 |
| Oats | .26 | .52 | .37 | .51 | .36 | .31 | .42 | .46 | .45 | .32 | .41 | .50 | .35 |
| Potatoes | .28 | .32 | .36 | .40 | .44 | .48 | .39 | .33 | .37 | .41 | .45 | .39 | .30 |

APRIL PRICE LISTS (continued)

| | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Apples | 1.87 | 1.92 | 1.97 | 1.78 | 1.83 | 1.88 | 1.93 | 1.98 | 1.79 | 1.84 | 1.89 | 1.94 |
| Barley | .43 | .48 | .29 | .34 | .39 | .44 | .49 | .30 | .35 | .40 | .45 | .50 |
| Corn | .33 | .43 | .53 | .39 | .49 | .44 | .34 | .48 | .38 | .52 | .42 | .35 |
| Flour | 4.38 | 4.33 | 4.28 | 4.47 | 4.42 | 4.37 | 4.32 | 4.27 | 4.46 | 4.41 | 4.36 | 4.31 |
| Oats | .49 | .39 | .29 | .43 | .33 | .38 | .48 | .34 | .44 | .30 | .40 | .47 |
| Potatoes | .34 | .38 | .42 | .46 | .50 | .31 | .35 | .39 | .43 | .47 | .51 | .54 |

QUESTIONS

1. What is the object of bookkeeping?
2. What is a power of attorney? When is it given?
3. How should you proceed with a bill of merchandise received, before writing O.K. upon it?
4. How do you show that the bill has been carried to the proper accounts?
5. Why should merchandise sold be itemized in the journal?
6. Why is it unnecessary to itemize merchandise purchased?
7. Why should a receipt be taken when cash is paid for any purpose?
8. Is a receipted bill, or a receipt, proof that a bill has been paid? Give your reasons for your answer.
9. How do you find the amount of cash received in making out your reports?
10. How do you find the amount of cash paid out?
11. How do you find the amount of cash on hand?
12. What is a cash balance?
13. What is a bank?
14. Why is it customary for a business house to keep its money in a bank instead of in its own safe?
15. What is necessary to be done before opening an account with a bank?
16. How should a signature be written in the signature book of a bank?
17. What is a deposit ticket? When and how is it prepared?
18. What is a bank pass book, and who makes the entries in this book?
19. Where and when should the depositor make a record of a deposit?
20. Why is no entry required in the journal when a deposit is made in the bank?
21. What should be done with an order for merchandise when it is received?

21. How would you show that the order had been filled, and what would you do with it after it had been filled?
22. Where should orders for merchandise be carefully preserved?
23. What is the meaning of a purchase or a sale on account?
24. Which terms are not mentioned on an invoice, what is understood?
25. What is a note?
26. When is a note called a bill receivable, and when a bill payable? Why?
27. Why is a check regarded as cash?
28. Why should it be presented immediately at the bank?
29. Suppose you have a check, how would you get the money called for if you were unknown at the bank?
30. Why should the stub of a check book be filled out before the check itself is written?
31. What special care should be taken in filling out a check, and what is the consequence of carelessness in this respect in case the check is raised?
32. How is it possible to determine at any time what amount remains to your credit in the bank?
33. When it is necessary to draw a check for private use, in whose name should the check be made out?
34. When cash is checked out for use in the business, to whose order should the check be drawn?
35. Where should the indorsement of a check appear?
36. Define business accounts; finance accounts.
37. What is a customer's ledger?
38. What is the object of checking back postings, and when should it be done?
39. What is an inventory and when is it taken?
40. What prices should be used in taking an inventory?
41. Where are inventories carried in the ledger when that book is to be closed?
42. What is the object of sending statements of accounts to customers, and when is this generally done?
43. How often should a bank book be balanced, and who attends to this work?

SUPPLEMENTARY EXERCISE—No. 2

The United States Civil Service Commission in its examinations in bookkeeping requires the candidate to use ordinary foolscap paper and make all rulings required for the different books. Unless otherwise directed, you may use ordinary foolscap paper and rule properly for the journal and ledger on which to make the entries required in the following transactions.

TRANSACTIONS

- APRIL 1, 19— Student commenced business this day, investing cash, \$6000.
- APRIL 2. — Paid cash for advertising in the daily paper, \$25.
- APRIL 3. — Paid for a set of books and other stationery for office use, \$50.
- APRIL 4. — Bought of William Brown, for cash, 100 brls. flour at \$5.
- APRIL 4. — Paid rent for the month of April, \$75.
- APRIL 5. — Sold Henry Davis, for cash, 50 brls. flour at \$6.
- APRIL 5. — Bought of Haynes & Co., on account, 100 brls. pork at \$9, 100 brls. beef at \$12.
- APRIL 6. — Sold John Wood, on account, 50 brls. flour at \$6, 25 brls. beef at \$15.
- APRIL 8. — Sold A. O. Henry, on his 30 day note, 50 brls. pork at \$12, 25 brls. beef at \$15.
- APRIL 9. — Bought of Jordan Bros., on my 60 day note, 125 brls. salt at \$1.25.

APRIL 11. — Bought of Haynes & Co., on my note at 30 days, 125 brls. pork at \$ 9, 10c brls. beef at \$ 12.

APRIL 12. — Paid Haynes & Co. cash for invoice of the 5th inst.

APRIL 13. — Received \$970.94 in cash from A. O. Henry for his \$975 note, dated April 8, less discount for the unexpired time, \$4.00.

APRIL 13. — Paid \$2314.15 in cash for my \$2325 note to Haynes & Co. of the 11th inst., less discount for the unexpired time, \$10.85.

APRIL 16. — Sold D. M. McKensey, for cash, 100 brls. pork at \$ 12.

APRIL 16. — Received of John Wood cash for bill of April 6th.

APRIL 17. — Paid cash for coal for use in store, \$20.75.

APRIL 19. — Sold Clark & Henry, on account, 40 brls. salt at \$ 1.75.

APRIL 20. — Sold Martin & Co., on their 10 da. note with interest, 25 brls. pork at \$ 12, 50 brls. beef at \$ 15 ; 20 brls. salt at \$ 1.75.

Make no entry for the interest at this time.

APRIL 23. — Bought of Larkin & Co. 40 brls. lard, 8000 lbs., at $12\frac{1}{2}$ ¢. Paid cash \$ 500; balance on account 30 da.

APRIL 25. — Sold A. O. Henry, on account, 25 brls. pork at \$ 12, 75 brls. beef at \$ 15, 50 brls. salt at \$ 1.75.

APRIL 27. — Paid cash for freight and drayage, \$37.82.

APRIL 29. — Sold John Wood, on account, 15 brls. lard, 3000 lbs., at 17 ¢.

APRIL 30. — Received \$1086.81 cash from Martin & Co. for their \$1085 note of the 20th inst., with interest.

Has the \$ 1.81 interest been allowed by you or to you? See rule, page 46.

APRIL 30. — Paid cash as follows: Bookkeeper's salary, \$ 75; Clerk's salary, \$ 50; Gas bill, \$ 7.80.

After you have posted the journal entries for the above transactions, take a trial balance.

The inventory of merchandise at the end of the month is \$1168.75.

Make out statements of results, and close the ledger.

Hand your work to the teacher for examination and approval.

TEA, COFFEE, AND SPICE BUSINESS MAY

Having been offered a higher salary and a better opportunity for advancement, you have accepted a position as bookkeeper for Henry F. Adams, who is about to commence business as a wholesale dealer in Tea, Coffee, and Spices, at 246 Main St., your city. Your salary is to be \$75 per month. Mr. Adams will do all the buying and fix all selling prices of the goods, and will spend much of his time on the road. You will receive all goods, verify the prices, etc., attend to the filling of all orders, and have full charge of the books of the business.

Books Kept. — The books which you will keep in this work are the journal-daybook, cash book, check book, sales book, and ledger.

| <i>Cash</i> | | | |
|-------------|------------------|---------------------------|---------|
| May | P. B. Fowler | investment | 1000 |
| 2 | L. H. Scott | bill of Apr. 20 | 210.75 |
| 4 | Bills Rec. | W. J. Jones note to \$ | 720.00 |
| 5 | G. H. Green | in full of acct | 200.70 |
| 7 | L. D. Hill | bill of May 1 | 17.5 |
| 9 | Bills Pay. | note to disc. | 600 |
| 11 | W. L. Dean & Co. | on acct | 900 |
| 12 | W. D. & L. Sch. | invoice to \$ | 20 |
| 13 | Bills Rec. | W. B. Jones note to disc. | 700 |
| 15 | T. H. Trainer | bill of even date disc. | 250.00 |
| <hr/> | | | |
| May 1 | Balance | on hand | 900.00 |
| | | | 2765.00 |

The Cash Book. Cash transactions are numerous in almost any business, and from this fact it has been found advisable to take the Cash account from the ledger and place it in a book called the "Cash Book." On the left-hand page of the cash book are entered all cash debits, with the name of the account to be credited in the first wide column, and in the sec-

ond wide column a brief description of the transaction. The amount is entered in the left-hand money column. All items of cash paid out or cash credits are entered on the right-hand page of the cash book, with the name of the account to be debited in the first wide column, and a brief description of the transaction in the second wide column. The amount is entered in the left-hand money column. The extra column at the left of the first wide column is for the ledger page when the item is posted.

Since the debit of the cash book shows all cash received, and the credit all cash paid out, it is evident that the difference between the two sides of the cash book should show at any time the amount of cash on hand.

It is unnecessary to keep a Cash account in the ledger, although some bookkeepers do so, carrying the total receipts for each day or month to the debit side of it, and the total payments for each day or month to the credit side.

The cash book should be balanced at frequent intervals. If a considerable amount of business is done in cash, it is well to balance the cash daily. In this and in all following sets, the Cash account will be kept in the cash book only, and not carried into the ledger.

Cash

3

| | | | |
|-------|-------------------|-------------------------------|----------------|
| May 2 | Expense | sent school books & stamps 2. | 64 |
| 4 | Real Estate | lot, 212 Allen St. | 2900 |
| 4 | Merch. | lot, of G. J. Harrison & Co. | 1600 |
| 6 | Bills Pay. | note favor Lyon & Co's | 720 |
| 9 | Discount | " " F. M. B. & Co's | 6 |
| 11 | Expense | clerk's, insurance | 50 |
| 12 | M. A. Ellis & Co. | inv't | 210 |
| 13 | Discount | E. B. Lyon, note disc'd | 502 |
| 13 | A. M. Dennis | on acct | 275 |
| 14 | L. S. Merritt | in full of acct | 644 |
| 15 | Merch. & Acc't. | 54 on bill of J. H. T. | 13 |
| 15 | Merch. | lot, of L. J. Carter & Co. | 3927.50 999.77 |

\$1500.50

Remember that the cash book is the Cash account of the ledger; therefore, the balance of the cash book must be carried into the trial balance when that is taken from the ledger.

The Sales Book.—It is customary in business to enter all sales of merchandise, whether for cash, on account, or for a note, in a book called the "Sales Book." The footing of this

book will at any time show the total sales of merchandise, for the month or other period, to date. This book does away with a long Merchandise account in the ledger, as the footing of the sales book is carried to the credit of Merchandise in the ledger at the end of each month, or as often as may be desired.

The first or left-hand money column of the sales book contains the separate items of each bill. The second or right-hand money column contains the total amount of each sale, which is to be posted to the debit side of the customer's account in the ledger.

FORM OF SALES BOOK

| | | |
|----------------------------------|----------------|---|
| <i>May 1917</i> | | 1 |
| <i>J. Williams</i> | <i>\$13.45</i> | |
| <i>to Merchants</i> | | |
| <i>5 lb. coffee, 1 lb. sugar</i> | <i>1.00</i> | |
| <i>10 lb. Java coffee</i> | <i>2.00</i> | |
| <i>5 small jars</i> | <i>1.00</i> | |
| <i>5 large jars</i> | <i>1.00</i> | |
| | <i>15</i> | |
| <i>J. Williams</i> | <i>\$13.45</i> | |
| <i>to Merchants</i> | | |
| <i>5 lb. coffee, 1 lb. sugar</i> | <i>1.00</i> | |
| <i>5 small jars</i> | <i>1.00</i> | |
| | <i>21</i> | |
| <i>C. Williams</i> | <i>\$13.45</i> | |
| <i>to Merchants</i> | | |
| <i>5 lb. coffee, 1 lb. sugar</i> | <i>1.00</i> | |
| <i>5 small jars</i> | <i>1.00</i> | |
| <i>10 lb. Java coffee</i> | <i>2.00</i> | |
| <i>5 large jars</i> | <i>1.00</i> | |
| | <i>12.75</i> | |

TRANSACTIONS

No. 1. — MAY 1, 19—. Mr. Adams gives you a power of attorney.

Take the document from the incoming voucher pad, fill in the proper names in the blank spaces, and file it.

No. 2. — MAY 1. Ask your teacher to assign you a price-list from the numbered lists on pages 102 and 103, and take from your incoming voucher pad the cash required for Henry F. Adams's investment, \$8800.

Make an entry in your journal-daybook, giving a description of the conditions under which the business is begun. Do not extend the amount of cash received in the money column. The following illustrates the form of your journal-daybook entry.

15

May 1, 19 -

| | |
|---|--|
| <i>Eben W. Jones has this day
commenced the Wholesale Tea,
Coffee and Spice business, at
172 North St., investing cash,
\$6000.00</i> | |
|---|--|

It is customary in commencing business to write in the journal-daybook a brief statement of the conditions under which the business was commenced, and if it be a partnership, a brief summary of the partners' agreement. This record is made in the journal-daybook as a matter of convenience only. The amount is not extended in the money column, as this is a cash transaction, but the entry therefor is made in the cash book.

Sometimes such a record as the above, an abstract of the principal accounts, and a record of the results of the business are kept by the proprietor, one of the partners, or a confidential clerk in a private set of books.

Cash Book Entry.—Enter the amount of cash received in your cash book, which you should begin in Blank No. 1 at the place indicated by the index on the front cover; notice that this is a left-hand page, which should be numbered 2. The following illustrates the form of the entry, but the amount and proprietor's name are different.

2

Cash

| | |
|--|--|
| <i>May 1 B. W. Lyman investment 9200</i> | |
|--|--|

The amount is entered in the first money column of the debit or left-hand page of the cash book. The date is written at the left, as in a ledger. In the first wide column is written the name of the account to be credited, and in the second wide column a brief description of the transaction. Place the cash in your Cash Drawer.

No. 3. — MAY 1. Pay one month's rent in advance to, and take a receipt from, the National Real Estate Co., which owns the building at 240 Main St.

Put the receipt in your Voucher File. Make an entry for this transaction on the credit or right-hand page of the cash book. The following illustrates the form of cash book entry.

3

| | | |
|---------------------|--|------------------------|
| <i>Cash</i> | | |
| <i>May, Expense</i> | | <i>rent for May 90</i> |

The first wide column contains the name of the account to be debited, and the second wide column a brief description of the transaction. All cash received or paid out must be entered in the cash book.

No. 4. — MAY 2. You have purchased of the Upton Coal Co., for cash, 5 tons coal at \$5.25, amounting to \$26.25.

This is a cash transaction and the entry will be made on the credit side of the cash book, since cash is paid out. The following illustrates the form of the entry.

| | | |
|----------------|--|-----------------------|
| <i>Expense</i> | | <i>5 tons coal 25</i> |
|----------------|--|-----------------------|

No. 5. — MAY 2. You have bought on account an invoice of merchandise from West, Stone & Co., New York: 20 half chests Japan tea, containing altogether 1200 lbs., at 23¢ per lb., etc.

In this series of transactions you will not receive cards to represent merchandise, but will assume that the merchandise has been received, and will check each item on the invoice after verifying the calculations. If you find the invoice correct, O.K. it. If not, ask your teacher (representing West, Stone & Co.) what to do. This transaction calls for an entry in the journal (see rule 5, page 12 or 46). Write *Entered*, with the date, on the invoice, and put it in your Invoice File.

Terms of Payment are of great variety. A few of the more common terms, and the method of indicating them, are as follows:

"Terms on account," often abbreviated "A.", usually means that the bill is due on the first of the following month.

"Terms 1/30 das.," or "30 das.," signifies that the bill is due in 30 days from date of invoice.

"Terms Net" or "Net Cash" indicates that no discount will be allowed for cash.

"Terms Cash 2%" or "2% Cash" indicates that an allowance of 2% will be made off the amount of the invoice if it is paid at once or within a certain short time, as ten days. The custom of business houses varies as to the time; some insist that only three days should be allowed; many allow ten days; and others allow thirty days.

If a bill is paid promptly, it is customary with many to take off 2%, even though the terms are not so stated.

"Terms 30 das., 3/10," signifies that the amount of the bill will be due in 30 days, but 3% will be allowed on the amount if it is paid within ten days.

"Terms 2/10, 1/30, net 60," indicates that 2% discount will be allowed if paid within ten days, 1% if paid within 30 days, and that the amount of the bill will be due without discount in 60 days.

"Terms C.O.D. Am. Ex." means that the goods have been sent C.O.D. (cash to be paid on delivery) by the American Express, and that no discount will be allowed.

"Terms C.O.D., less 2% U. S. Ex." means that merchandise has been sent by United States Express, C.O.D., and that 2% discount will be allowed from amount of invoice.

No. 6.—MAY 2. Goods have been purchased of L. Hennes & Co., New York, by Mr. Adams, who has agreed to give a note at 60 days in payment.

Verify the calculations. Write the note required by the transaction. Fill out the stub of your note book; then detach the note and place it in Bills Payable File.

In this transaction you will debit *Merchandise* in the journal and credit *L. Hennes & Co.* for the amount of the invoice, and debit *L. Hennes & Co.* and credit *Bills Payable* for the amount of the note given them in payment, making two complete but separate journal entries.

The one journal entry, *Mdse. To Bills Payable*, would be sufficient to record the transaction (see transaction No. 54, pages 28, 29); but Mr. Adams expects to purchase of L. Hennes & Co. also on account, and it is advisable that their personal account in your ledger should show all transactions made with them, hence the entries should be made as directed above.

No. 7.—MAY 2. Deposit in the Commercial Bank all your cash, except \$200, which you may retain in the Cash Drawer.

Make out a deposit slip and hand it to the bank teller with the currency and bank pass book. Do not fail to enter the deposit on the stub of your check book.

No. 8.—MAY 3. This invoice of merchandise has been purchased of Shields Bros., City, for cash, and you receive a discount of 2%.

Verify the calculations. Make a journal entry for the purchase of goods, debiting Merchandise and crediting Shields Bros. for the gross amount of the bill, this being the amount before the discount is subtracted.

Write a check in favor of Shields Bros. for the net amount of the bill, which is the amount after the discount has been taken off. Do not forget to fill out the stub first, and to subtract the amount from the amount in bank. Show the gross amount and the discount on the stub of check book, in the blanks left for the purpose.

Make the following entry in the cash book, credit side, debiting *Shields Bros.* and crediting *Cash* for the full amount of the purchase.

3 Shields Bros. | inv. \$13, 2% 284.50

This entry credits Cash with \$5.69 (the amount of the discount) more than the amount actually paid. To offset this, enter on the debit side of the cash book the amount of the discount, crediting *Merchandise Discount*. This is the entry.

3 Mdse. Disc. | inv. Shields Br. \$13, 2% 569

The difference between the amounts entered on the debit and credit sides of the cash book is the same as the amount of cash paid out, and represents a net credit to the cash account. Shields Bros. are debited for the full amount of the invoice, because this is the amount of the debt settled, and Merchandise Discount is credited because it produced value by saving to the business the amount of the discount allowed.

Rule 19.—*MERCHANDISE DISCOUNT* is credited when a discount is allowed to the business for the payment of a bill of merchandise at a given time; for such an allowance saves or produces value for the business.

No. 9. — MAY 3. This order calls for a sale of merchandise to A. W. McKey, on account. Make out the bill, checking each item on the order as soon as entered on the bill. Verify your calculations and be sure the bill is right.

The number of pounds in a half chest of Japan tea varies somewhat. In actual business the number of pounds in each lot is found by weighing. In your work here, however, you may assume that each half chest of Japan has the *average* weight (65 lb.) shown by voucher No. 5. A similar assumption may be made concerning other goods (see Price Lists, p. 162).

In this month's work all sales of merchandise in wholesale lots, whether on account or otherwise, will be entered in the sales book. Therefore, enter this bill in the sales book, which you should begin in Blank No. 1 at the place indicated by the index on the front cover. See form of entry below. The names and items are different.

No. 10. — MAY 4. Fill F. C. Tenney's order and allow him 3% off for cash; also deposit his check in the bank.

Make out the bill and deduct 3% discount from the gross amount. Use bill No. 8 in your Voucher File as a model. After *Terms* write *Cash 3%*. If the net amount of the bill agrees with F. C. Tenney's check No. 10, \$611.10, receipt the bill and place it in Vouchers for Others. Enter the sale in your sales book, one line below your last entry, debiting *F. C. Tenney*. Write the date in the middle of the line, as in the journal.

Do not deduct the discount in the sales book, but enter the sale for the full amount, which will be posted to the debit of Tenney's account in the ledger.

The following shows the form of your sales book to date, the names and amounts being different. Notice the addresses of customers, and the terms given.

| May 3, 19— | | | | |
|-------------------------|-----|----|-----|-----|
| C. H. Macdonald | | | | |
| on bill to bill | | | | |
| 5 half chests Japan tea | 200 | 65 | 130 | |
| 2 " " 1/2 chests " " | 100 | 65 | 65 | 47 |
| 3 cases 1/2 chests " " | 150 | 65 | 97 | 2-7 |
| Total 200 200 292 | | | | |
| on bill to bill | | | | |
| on bill to bill | | | | |
| 5 half chests Japan tea | 200 | 65 | 130 | |
| 2 " " 1/2 chests " " | 100 | 65 | 65 | 0 |
| 3 cases 1/2 chests " " | 150 | 65 | 97 | 2-7 |
| Total 200 200 292 | | | | |

Give *F. C. Tenney* credit on the debit side of the cash book for the full amount of the bill. When this amount is posted to the ledger, his account will balance. Enter the amount of the discount on the credit side of the cash book, debiting *Merchandise Discount*. See form of entry in cash book, pages 72 and 73, May 15, P. M. Trainer on debit side and Merchandise Discount on credit side.

The principles involved in recording this transaction are similar to those in transaction No. 8, although this transaction is the exact reverse of the other. In No. 8 the full amount of the purchase was entered in the journal to the credit of the firm from whom purchased, and Merchandise was debited. Here the full amount of the sale is entered in the sales book, which debits the firm to whom sold and credits Merchandise. The cash book entries are also similar in that the full amount of the bill settled is entered on one side to the firm's account and the discount on the opposite side to Merchandise Discount.

By this method of entering cash purchases and sales when a discount is allowed, Merchandise Discount account will show the total amount allowed by the business to others (debit side) and the total amount allowed by others to the business (credit side) for prompt payment, while Merchandise account will show the total cost and total production of goods handled.

Rule 20.—*MERCHANDISE DISCOUNT is debited when a discount is allowed by the business to others for the payment of a bill of merchandise at a given time; for such an allowance costs the business value.*

In this and the following month's work, cash sales, except for occasional small purchases made by individuals who are not regular customers, will be entered in the sales book and charged to the persons making them, while the payments will be entered in the cash book and credited to the persons making them. In this way the ledger accounts of all regular customers of the business will show the amount of all purchases they have made, both on account and for cash.

Make out a deposit ticket for *F. C. Tenney's* check. Indorse the check properly (see illustration, p. 64). Make a memorandum of the deposit on the left-hand page of check stubs, opposite stub of next check to be made out. Place the deposit slip with the check in your bank pass book, and have the amount entered at the bank. Enter the amount on the stub of your check book and add to your deposit. Make no entry in the cash book.

No. 11.—MAY 4. Fill this order for merchandise sold to *Dickson & Young*.

Make out the bill and check the items on the order. Enter the transaction in the sales book and place the order in your Voucher File. Be sure the amount is correct.

No. 12.—MAY 4. Pay this bill of *Scrantom, Wetmore & Co.* for books and stationery to be used in the office.

Verify the calculations, and write a check for the amount. Enter in the cash book. Do not fail to deduct the amount of the check from your bank balance. This is a common error and causes much trouble in balancing the bank account at the end of the month.

No. 13.—MAY 5. This bill is for office furniture and a safe, which *Mr. Adams* has purchased for permanent use in the business. An account of this property will be kept in the ledger under the head of "Furniture and Fixtures," instead of charging it to Expense as heretofore.

Fill out a check for the amount and make the proper entry in the cash book, debiting *Furniture and Fixtures*.

No. 14.—MAY 5. *Mr. Adams* has decided to purchase the building and lot at 246 Main St. of the *National Real Estate Co.* Their price is \$12,000 cash. Not having this amount

on hand, Mr. Adams has arranged with James D. Branson to indorse a \$5000 note for him so that he may borrow money of the Commercial Bank. This is usually spoken of by business men as discounting your own note at bank.

The following is the form of note required, except that of course the place and year need to be filled in.

| | | |
|--|--------------------|-------------------|
| \$5000 | (Your place here.) | May 5, 19__ |
| Four months after date I promise to pay to | | |
| the order of James D. Branson | | |
| Five thousand | | Dollars |
| at Four City Bank | | |
| Value received | | |
| No. 2 | Due Sept. 5, 19__ | H. F. Adams. |
| | | by Student, City. |

Indorsing a note consists in writing one's name on the back of the note, and the person who thus writes his name becomes responsible for the payment of the note in case the maker fails to make payment when it becomes due. The note given above is made payable to the order of the indorser, who writes his name upon the back and returns it to H. F. Adams. Adams takes the note to the bank, receives money or credit for it, and will pay the note when it is due. In case he should fail to do this, James D. Branson would be called upon to pay it.

Write the note required for transaction No. 14; make it payable at Commercial Bank. Take the note to your teacher, who will indorse it for James D. Branson, if it is correct; then take it to the bank for discount.

The note is due Sept. 5th, which is 123 days after May 5th, the date of discount. Bank discount is found by taking the simple interest on the face of the note for the time in days from the date of discount to the date of maturity; therefore, you may find the interest on \$5000 at 6% for 123 days, which is \$1xx.x0. Subtract this amount from \$5000, and the remainder, \$489x.x0, is the net proceeds, or amount that will be placed to your credit at the bank.

Bank discount is the simple interest on the face of commercial paper for its unexpired time: that is, from the date the paper is discounted to the day upon which it becomes due. *In this work the exact number of days between these two dates will be used in all calculations of bank discount.* For instance, a note dated May 1st at four months would be due Sept. 1st of the same year; but most banks discounting such paper for the full time would not calculate the interest on its face for four months (120 days), but would take the exact number of days between May 1st and Sept. 1st (123 days). This must be remembered in all calculations of bank discount.

First find the date the note becomes due; next find the number of days to elapse from the day of discount to the day of maturity, and then calculate the simple interest on the face of the note for this number of days at the rate of discount given, and you have the bank discount.

For computing the interest, any method that is based on the commercial year of 360 days may be used,—such as the 60-day $\frac{6}{10}$ method, etc.

Discount Memorandum.—Take a discount memorandum from your envelope of Business Forms, and fill it out properly. Supply the items from Mr. Adams's note. Pin the memorandum and the note together, and hand them with your bank pass book to the bank teller, who will place the net proceeds to your credit if your calculations have been correctly made.

The form of memorandum is shown herewith. The name and amounts are not the same as appear in your memorandum.

In case no bank is conducted with this work, you may place the note and discount slip in Bills Payable File, and (acting for the bank teller) enter the amount of the proceeds on the left-hand page of your bank pass book, as shown in the following illustration.

FORM OF DISCOUNT MEMORANDUM

| DISCOUNT MEMORANDUM. | |
|----------------------|--------------|
| DATE | May 17 |
| DISCOUNTED FOR | W. H. Barker |
| MAKER | W. H. Barker |
| FACE | 5000 |
| INT | |
| TOTAL | |
| DISC | 102.50 |
| COLL | |
| TOTAL | |
| PROCEEDS | 4897.50 |

5000 note proceeds 4897.50

After the amount has been entered in your pass book, make an entry in the blank space immediately below the last stub filled out in your check book, as shown in the following illustration; and add the proceeds, \$4897.50, to the balance in bank after deducting the last check.

Cash Book Entry.—Make an entry on the debit side of the cash book for the face of the note, \$5000. The following is the form of your entry.

| | | | |
|-----------|---|----|---------|
| Discount | % | \$ | 102.50 |
| 5000 note | | | |
| dis. | | | 102.50 |
| Deposited | | | 4897.50 |

5 Bills Pay. 5000 note

This entry on the debit side of the cash book debits *Cash* and credits *Bills Payable*. Make an entry on the credit side of the cash book for the amount of the discount, \$102.50. The following is the form of your entry.

5 Discount 102.50

This credits *Cash* and debits *Discount*.

The bank really gave you only \$4897.50; but if the bank had given you \$5000, you would have been required to take from the \$5000 the sum of \$102.50 and pay it to the bank for discount; and this is the principle upon which the cash book entries are made.

Rule 21.—*Discount* is debited when a discount is allowed to others on a note or draft; for such an allowance costs the business value.

It is evident that the accounts affected by the transaction in the above example are *Cash*, since cash has been received by the business; *Discount*, since discount has been allowed the bank for cashing the note 123

before it is due, and *Bills Payable*, since Mr. Adams has given a note payable in four months. It is evident that *Cash* should be debited since cash has been received, and that *Bills Payable* should be credited, since a note has been issued (see rule 16, page 20). Discount has cost the business value, since you have allowed the bank \$102.50 for cashing a note before it is due; therefore, *Discount* should be debited (see rule 21).

If the entries were made in the journal, *Cash* and *Discount* would be debited and *Bills Payable* credited, according to the following form:

| | |
|---------------|---------|
| Cash | 4897.50 |
| Discount | 102.50 |
| Bills Payable | 5000.00 |

A distinction is made between discount on notes and drafts and discount on invoices of merchandise. The former is called "Discount" simply, while the latter is designated as "Merchandise Discount," or "Cash Discount." The two kinds of discounts, although similar in character, are allowed for different purposes and therefore should never be charged to the same account.

After you have finished this transaction, you will do well to return to page 70 and review it from beginning to end.

No. 15. — MAY 5. Mr. Adams has received from the National Real Estate Company the deed of the building and lot No. 246 Main St., and has sent it to be recorded. Pay the purchase price, \$12,000, by check.

Write the check. In this transaction real estate has cost the business value, and therefore *Real Estate* should be debited. The Real Estate account is subject to rules like those for the Merchandise account.

Rule 22 — Debit *REAL ESTATE* for the purchase price of houses and lands purchased, and also for all amounts paid for their improvement and permanent repair.

No. 16. — MAY 6. This invoice of merchandise has been purchased of the E. Westen Tea & Spice Co. on account.

Verify the calculations. Make the proper entry in your journal.

No. 17. — MAY 6. This order from A. A. Knowles & Co. is accompanied by a note for \$500 to apply on account. Fill the order, and make terms 60 days.

Make out the bill and check each item on the order. After *Terms* write *60 ds.* Enter in the sales book as a sale on account, 60 ds., making no mention of the note for \$500 received with the order. In your journal make the proper entry for the note. What account should be debited? What account should be credited? Place the note in your Cash Drawer.

No. 18. — MAY 8. Take the note received from A. A. Knowles & Co. to the Commercial Bank and have it discounted.

Take the note from your Cash Drawer, and indorse it to your bank. Calculate the discount on the note from May 8th to the date of maturity (58 days). The discount on \$500 for 58 days at 6% is \$4.83. Make a discount memorandum and attach it to the note; take the note to the bank teller, and have the net proceeds entered in your bank pass book. Enter the amount on the stub of your check book, as explained in No. 14, and add the amount to your bank balance. You have now discounted Knowles's note at bank; in other words, you have had the note cashed, allowing a discount.

Make an entry on the debit side of the cash book for the face of the note (\$500). The following illustrates the form of your entry.

| | | |
|------------------------|--------------------|------------|
| <i>Bank-Bills Rec.</i> | <i>When cashed</i> | <i>500</i> |
|------------------------|--------------------|------------|

Make an entry on the credit side of the cash book for the amount of the discount. The following illustrates the form of your entry. (See rule 21, and analysis of transaction No. 14 accompanying it.)

| | |
|--------------------|----------------------------|
| <i>15 Discount</i> | <i>Given note made 400</i> |
|--------------------|----------------------------|

In case there is no bank, enter the proceeds in your bank pass book (see model in transaction No. 14, page 77), and place the note in Vouchers for Others.

No. 19. — MAY 8. Fill this order from F. C. Tenney on account. What should you write after *Terms* on the bill? Verify your calculations and make the proper entry.

No. 20. — As a convenience in preparation for making your next report, you may pencil foot your cash book and sales book. As the first page of your sales book is now filled you should carry the footing forward to the top of the next page, as illustrated below.

FORM OF ENTRY AND RULING AT BOTTOM OF FIRST PAGE OF SALES BOOK

FORM OF ENTRY AT TOP OF SECOND PAGE OF SALES BOOK

| | |
|-------------------|------------|
| <i>Receivable</i> | <i>127</i> |
|-------------------|------------|

Notice that, in making this transfer, the first entry is in red ink and the second in black. Never make the same entry in red ink twice in succession. In actual business the footings in the sales book may not be carried forward from page to page till the time when posting is to be done; but if so, the top line of each page (after the first) would be left blank to receive the footing when it is carried forward.

The same method is used in carrying forward the footings from one page to another in the cash book, when necessary, as illustrated below.

FORM OF ENTRY AND RULING AT BOTTOM OF CASH BOOK PAGES

Left-hand Page

Right-hand Page

FORM OF ENTRY AT TOP OF FOLLOWING CASH BOOK PAGES

Left-hand Page

Right-hand Page

Cash

Cash

be *Receivable 9502.50 272.54*

Receivable 1500.23

A ledger account is forwarded to a new page when the space originally allotted to the account has been filled. For instance, if the account of A. H. Harper on page 15 is to be continued on page 24, the following entries might be made (note the page numbers in the folio columns):

FORM OF ENTRY AND RULING ON OLD LEDGER PAGE (15)

24

A. H. Harper

Recd. paid 15 175

Recd. paid 15 207 80

No. 21. — MAY 8. FOURTH REPORT. — Fill out the report blank. After the report has been approved by the teacher, balance your cash book. Rule and foot, and bring down the balance to the debit side in the second money column, but before doing so, see that the amount agrees with your report, and also with your bank balance plus the amount in your cash drawer if any. See model, pages 72 and 73, for form of ruling and closing. Hand in your cash book, journal, sales book, and all vouchers for inspection.

No. 22. — MAY 9. The invoice of April 30th received from West, Stone & Co. must be paid to-day, in order to take advantage of the 3% discount for payment in 10 days.

Take the invoice from your Invoice File and calculate the discount on the amount, \$1693.50, at 3%, which is \$51.25. Deduct this discount from \$1693.50 and draw a check for the remainder. Proceed with check book and cash book entries similar to those you made for transaction No. 8, page 77.

No. 23. — MAY 9. Fill this order from Fletcher Bros., and allow 3% cash discount.

Make out a bill at the regular prices, and after *Terms* write *Cash 3%*. Enter the sale in the sales book. Charge Fletcher Bros. for the full amount, and if they pay the bill within two or three days, allow them the discount.

In making this entry on the second page of the sales book, begin it on the second line, as the first line is occupied by the footing from the preceding page. Enter the date of this transaction at the top of the page only, the same as on the first page.

No. 24. — MAY 10. This purchase has been made of Shields Bros., on account. Verify the calculations, and make the proper entry.

No. 25. — MAY 10. This check has been received from Fletcher Bros. in payment of invoice of goods sold them on May 9th, terms cash 3%.

Is the check for the correct amount? Make cash book entries similar to those for transaction No. 10, page 78.

No. 26. — MAY 11. Dickson & Young hand you, on account, \$200 in currency. Place the bills in your Cash Drawer, give a receipt, and make the proper entry.

No. 27. — MAY 11. Deposit \$200 currency and the check of Fletcher Bros. in Commercial Bank.

Make a deposit ticket, placing \$200 opposite *Bills*, and *Alliance*, 706.64 opposite *Check*. Enter on left-hand page of check stubs. Take the ticket with the cash, the check, and your bank pass book, to the bank, and have the amount placed to your credit. Then enter the deposit on the right-hand page of stubs, and add the amount to your balance in bank.


No. 28. — MAY 12. Fill A. W. McKey's order, on account. Make out the bill, and check each item from the order.

N.B. The student must always make proper entry for each transaction, whether or not he is especially told to do so.

No. 29. — MAY 14. H. F. Adams draws, by check, \$100 for his private use.

Make a check payable to the order of H. F. Adams, after filling out the stub and deducting the amount from the bank balance. Be sure to explain on the stub that it is for *private use*. Hand the check to Mr. Adams (by placing it in Vouchers for Others).

FORM OF ACKNOWLEDGMENT OF REMITTANCE



WESTERN OFFICE:
334 DEARBORN ST. CHICAGO, ILL.

Rochester, N.Y. May 12, 19__

J. C. Warner & Bros.

Springfield, Mass.

Gentlemen:

Your favor of May 10 is at hand, enclosing

check for \$ 246.¹² in payment

of invoice, Apr 10

We have placed this amount to your credit, and awaiting your further orders, we remain,

Yours truly,

WILLIAMS & ROGERS.
C.

No. 30. — MAY 14. When Mr. Adams bought the building No. 246 Main St., it was insured by the Equitable Fire Insurance Company for \$8000. The policy has expired and has been replaced by a new one, running for one year; you may write a check for \$80 to pay for it.

Do not fail to fill the stub and deduct the amount from your bank balance. Check may be made payable to order of S. B. Stearns, Agent, or to order of Equitable Fire Insurance Co.; either way is correct. Debit *Expense*.

In case a large amount of insurance is carried, it may be advisable to open an Insurance account instead of carrying the cost of insurance to the Expense account, but in the ordinary course of business this outlay may very consistently be carried to the Expense account, since there is no return from it.

No. 31. — MAY 15. Fill this order from F. H. Randall & Co., on account. Write the terms on the bill. Check each item.

No. 32. — MAY 15. This check is received from F. C. Tenney on account. Write an acknowledgment of the remittance (see form, page 85) and place the check in your Cash Drawer.

No. 33. — MAY 15. FIFTH REPORT. Make your report and see that your cash on hand in the report agrees with the cash as shown by the balance on the stub of your check book, plus the currency and checks in your Cash Drawer, and also see that it agrees with the balance of your Cash account, as shown in the cash book.

After your report has been O.K'd, balance your Cash book, rule and foot, and bring down the balance on the debit side in the last money column. (See form, pages 72 and 73.)

Present all books and vouchers to your teacher for approval.

POSTING

Opening Accounts. — At the top of page 17, or the first right-hand blank page in your ledger, write *H. F. Adams*. At the top of page 18 write *Merchandise*. In the middle of page 18 write *Expense*. At the top of page 19 write *Merchandise Discount*. In the middle of page 19 write *Furniture and Fixtures*. At the top of page 20 write *Real Estate*. In the middle of page 20 write *Discount*. In the middle of page 21 write *Loss & Gain*. At the top of page 22 write *Bills Receivable*. In the middle of page 22 write *A. A. Knowles & Co.* At the top of page 23 write *Dickson & Young*. In the middle of page 23 write *A. W. McKer*. At the top of page 24 write *F. C. Tenney*. In the middle of page 24 write *Fletcher Bros.* At the top of page 25 write *F. H. Randall & Co.* In the middle of page 25 write *Rice & Pond*. At the top of page 26 write *E. Mason & Co.* At the top of page 30 write *Bills Payable*. In the middle of page 30 write *West, Stone & Co.* At the top of page 31 write *E. Weston Tea & Spice Co.* In the middle of page 31 write *Shields Bros.* At the top of page 32 write *L. Holmes & Co.* In the middle of page 32 write *Chas. K. Fox*.

See that you have the proper address on each personal account (refer to sales book and vouchers).

Posting from the Journal is done the same as heretofore, excepting that *J* is written in the explanation space in the ledger to indicate that the entry was brought from the journal. See illustration on debit side of Merchandise account, page 88.

Post from your journal, and be careful to postmark both journal and ledger.

Posting from Cash Book. — Each amount on the debit side of the cash book is posted to the credit side of the ledger account named on the same line in the first wide space. *C* is

written in the explanation space in the ledger to indicate that the amount is posted from the cash book. The following shows the first amount as posted to H. F. Adams's account.

When this entry is made in the ledger, the item is postmarked in the cash book by writing the ledger page of H. F. Adams's account (17) in the third narrow column (headed L. F. in the illustration on pages 72, 73).

H. F. Adams

17

May 1 6

2 8800

The entry on the credit side of Tenney's account below illustrates the third amount posted from the debit side of the cash book. Post all items from the debit side of the cash book in a similar manner.

24

Tenney

173 11.11.11

May 4 Cash 37

1 630

May 4 6

2 130

Each amount on the credit side of the cash book is posted to the debit side of the ledger account named on the same line in the left-hand explanation space.

The following illustrates the first two amounts posted from the credit side of the cash book. Post all items from the same side in a similar manner. Be careful in postmarking.

Expense

May 1 6

3 75

2 "

3 2625

Posting from the Sales Book.—First foot the sales book, and close it with a black ink entry according to the following form; see also illustration on page 74 (your amount is different).

18

Merchandise

75 25

This footing of the sales book, representing the total sales of merchandise, should then be posted to the credit side of Merchandise account in the ledger as illustrated in the

form below; write *S. B.* in the explanation column in the ledger to indicate that the item is posted from the sales book. Postmark the item in the sales book, by writing the ledger page of Merchandise account (75) as shown in the preceding illustration.



Next, the amount of each sale must be posted to the debit side of the account of the person or firm to whom the sale was made, with the terms of the sale in the explanation space, as in Tenney's account on page 87; this will indicate that the entry came from the sales book. If there are no special terms, write *S. B.* in the explanation space.

It will be noted that the posting is done from three books in which the original entries were made. *C* in the explanation indicates that the entry is from the cash book; *J*, from the Journal; and the terms or *S. B.*, from the sales book.

TRIAL BALANCE

Take a trial balance of your ledger. (For instructions, see No. 70, page 32.)

Do not forget to place the balance of cash, as shown by your cash book, on the debit side of your trial balance. This is a common omission. Remember that the cash book is really the Cash account of the ledger, and its balance, like that of any ledger account, must be carried to the trial balance.

Present your trial balance to your teacher for approval. Do not make business and financial statements, as the trial balance is taken at this time merely to show that your posting is correct, and that you understand the posting of the cash book and the sales book.

TRANSACTIONS FOR MAY, CONTINUED

No. 34. — MAY 17. Rice & Pond, of Georgetown, your state, have sent you an order and have given you satisfactory references. Bill them the goods at regular prices, terms cash 3 %.

As these goods are to be sent by freight, you will make out a shipping order to be given to the railroad company which is to transport them, and also two receipts to be signed by the agent of the railroad company when you deliver the goods to him.

One of these receipts, called the Bill of Lading, you will forward to the customer; the other, a Memorandum copy of the bill of lading, you will retain. The bill of lading and the memorandum copy should be carefully preserved by the customer and the shipper, as one of them is necessary in making proper claim if the goods are lost, destroyed, or damaged.

These three forms — Bill of Lading, Memorandum Copy, and Shipping Order — form a set, of which the Bill of Lading is the *original*. The wording of all three forms in the set is identical, with the exception of the heading. The conditions are printed on the back of the forms. The bill of lading is illustrated herewith as R. T. Brown of Philadelphia might fill it out for another shipment.

FORM OF BILL OF LADING

Uniform Bill of Lading—Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27 1908.

Pennsylvania Railroad Company.

STRAIGHT BILL OF LADING—ORIGINAL—NOT NEGOTIABLE.

Shippers No. _____

Agents No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading,

at *Philadelphia**May 17, 19*

from *H. J. Adams* the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from

to

is in Cents per 100 Lbs.

IF Special

IF Special

| | | | | | | | | | | | |
|--------------|--------------|-------------|------------|-------------|------------|------------|--------------|--------------|--------------|-----|-----|
| IF Times 1st | IF 1st Class | IF 2d Class | IF Rule 25 | IF 3d Class | IF Rule 26 | IF Rule 28 | IF 4th Class | IF 5th Class | IF 6th Class | per | per |
|--------------|--------------|-------------|------------|-------------|------------|------------|--------------|--------------|--------------|-----|-----|

Consigned to

Rice Pond

(Mail Address—Not for purposes of Delivery.)

Destination:

Georgetown

State of

Pa.

County of _____

Route, _____

Car Initial, _____

Car No. _____

| NO. PACKAGES | DESCRIPTION OF ARTICLES AND SPECIAL MARKS | WEIGHT
(Subject to Correction) | CLASS OR RATE | CHECK COLUMN | If charges are to be prepaid, write or stamp here, "To be Prepaid." |
|--------------|---|-----------------------------------|---------------|--------------|---|
| 15 | ht. cts. Tea | 1050 | | | |
| 8 | bags Coffee | 1045 | | | |
| 5 | bxs. Pepper | 55 | | | Received \$ _____ to apply in prepayment of the charges on the property described hereon. |
| 5 | bxs. Cloves | 55 | | | |
| | | | | | Agent or Cashier |
| | | | | | Per _____
(The signature here acknowledges only the amount prepaid.) |
| | | | | | Charges Advanced: \$ _____ |

Per *H. J. Adams* Shipper.

Agent.

Per *H. J. Brown*

Per

(This Bill of Lading is to be signed by the shipper and agent of the carrier issuing same.)

All the forms of a set must be filled out in precisely the same way; that is, each must be an exact duplicate of the others as regards the filling in. The writing may be done with ink, pencil, or carbon. By the use of

FORM OF MEMORANDUM (Heading)

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27 1908.

Pennsylvania Railroad Company.

THIS MEMORANDUM is an acknowledgment that a bill of lading has been issued and is not the Original Bill of Lading, nor a copy or duplicate, covering the property named herein, and is intended solely for filing or record.

Shippers No. _____

Agents No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading.

at *Philadelphia**May 17, 19*

from *H. J. Adams* the property described below, in apparent good order, except as noted (contents and condition of contents of packages unknown), marked, consigned and destined as indicated below, which said Company agrees to carry to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The Rate of Freight from

to

is in Cents per 100 Lbs.

IF Special

IF Special

| | | | | | | | | | | | |
|--------------|--------------|-------------|------------|-------------|------------|------------|--------------|--------------|--------------|-----|-----|
| IF Times 1st | IF 1st Class | IF 2d Class | IF Rule 25 | IF 3d Class | IF Rule 26 | IF Rule 28 | IF 4th Class | IF 5th Class | IF 6th Class | per | per |
|--------------|--------------|-------------|------------|-------------|------------|------------|--------------|--------------|--------------|-----|-----|

can be filled in with a lead pencil, all three bills can be filled in at one writing. Many shippers use the carbon stamps in filling in parts of their bills of lading. (For further information concerning bills of lading, see Appendix II.)

FORM OF SHIPPING ORDER (Heading)

For use in connection with the Standard form of Straight Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania **Railroad Company.**

THIS SHIPPING ORDER must be legibly filled in, in Ink, in Indelible Pencil, or in Carbon, and retained by the Agent.

Shippers No. _____
Agents No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of receipt of this Shipping Order,
at *Philadelphia* *May 7, 19*
H. H. Hays

from _____ the property described below, as
apparent good order, except as noted, contents and condition of contents of packages unknown, marked, consigned and delivered as indicated below, which said Company agrees to carry
to its usual place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed, as to each carrier of and for
any of said property over all or any portion of said route to destination, and as to each party at any time interested in all or any of said property, that every service to be performed here-
under shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for
himself and his assigns.

The Rate of Freight from _____
to _____ is in Cents per 100 Lbs. If Special If Special
If Times 1st If 1st Class If 2d Class If Rule 25 If 3d Class If Rule 26 If Rule 28 If 4th Class If 5th Class If 6th Class per per

Make out a set of the forms which you will find among your supplies; fill them out at one writing by the use of the carbon paper. Take them to your teacher or freight agent. He will sign and return to you the bill of lading and memorandum copy, and will retain the shipping order. Inclose the bill of lading, with a bill of the goods, in an envelope properly directed to Rice & Pond.

Hereafter you must make out similar forms whenever merchandise is sold to out-of-town customers and sent by freight.

No. 35. - May 18. Write a check for \$800 and send it to E. Westen Tea & Spice Co., accompanied by a letter advising them of the remittance.

The Telegram is an important feature of modern business, and is used very extensively in ordering goods for immediate delivery.

The charge for a telegram depends somewhat upon the distance, and, except in the case of cable messages, it is a fixed sum for a ten-word message, with an additional charge for each word in excess of that number, no charge being made for the name and address of the person to whom the message is sent or the name of the sender. Night messages, that is, messages sent at the convenience of the Company after 6 P.M., are taken at about half the regular rate, and a large proportion of business messages are of this kind.

In writing a telegram care should be taken to avoid the use of all superfluous words, and yet the message must be clear and definite, that mistakes may be avoided. Numbers should be written out in full, since the charge is the same for a figure as for a word; for instance, 20 written in figures (20) would be charged for as two words, while written in full (twenty) would be charged for as only one word. In sending important messages, those in which a mistake would mean the loss of a large sum of money, it is better in every case to have the telegram repeated; that is, have the operator at the point to which the message is sent telegraph it back to the operator at the sending point, so that the sender may know that his message has been received as it was sent; for telegraph operators are only human, and mistakes in unrepeatable messages are by no means uncommon. The charge for repeating a message is one half more than the original cost.

The cost of cablegrams is a certain amount for each word, and the same charge is made for the address and signature as for the words which make up the body of the message. Business houses generally have a code address for cablegrams; that is, the name and address are represented by one word; for instance, Smith, Jones & Robinson, 42 Soho Square, London, E.C., England, would be represented by a single word as "Extract."

The following form of telegram shows the correct method of writing a message containing numbers.

THE COMMERCIAL TELEGRAPH COMPANY.

21,000 OFFICES IN AMERICA.

INCORPORATED

CABLE SERVICE TO ALL THE WORLD.

PHILO M. BECKLEY, PRESIDENT AND GENERAL MANAGER.

Receiver's No.

Time Filled

Check

SEND the following message subject to the terms
on back hereof, which are hereby agreed to.

Dayton, O. May 18, 19__

To

John L. Cribb
26 Madison Ave. New York.

Send forty cases number sixteen
braid Erie Dispatch train thirteen
C. B. 1111

READ THE NOTICE AND AGREEMENT ON BACK.

No. 36. — MAY 18. Write a telegram, of not more than fifteen words, ordering of West, Stone & Co., 10 half chests each Japan and Young Hyson; 10 bales Mocha; 15 mats Java. Pay 50¢ in currency for the telegram.

Fill out the telegram blank and place in Vouchers for Others. Debit *Expense* for the 50¢.

No. 37. — MAY 20. E. Mason & Co., an out-of-town firm, have sent you this order for goods. They refer to your own bank, and the reference being satisfactory, Mr. Adams instructs you to fill the order.

Make out the bill, also the bill of lading, following instructions given under No. 34. Inclose invoice and bill of lading in an envelope properly addressed. On the invoice and in the sales book give the terms as *30 das. sight draft*.

No. 38. — MAY 20. Pay this painter's bill by check.

Painting comes under the head of permanent repairs to your real estate. Make the proper cash book entry (rule 22, page 82).

No. 39. — MAY 20. Dickson & Young have given their note at 60 days for \$400, on account, and at the same time have ordered more goods. Fill the order.

Place the note in your Cash Drawer, make out the bill, and make the proper entries.

No. 40. — MAY 21. Fill Vincent's order.

In this transaction you are to receive the cash on delivery of the goods, which are to be sent by express. This is known as C. O. D. by express. Make out a regular bill of the goods for James H. Vincent. Inclose an abstract of this bill in a C. O. D. envelope which

No. 42.—MAY 22. Make a bill of the goods called for in this order from Rice & Pond, checking items. File the order. Enter the sale in sales book, place the check received on account in the Cash Drawer, and make the proper entry. Acknowledge the receipt of the check by letter.

No. 43.—MAY 23. This invoice is for goods ordered from West, Stone & Co. by telegraph May 18th. Verify and enter.

No. 44.—MAY 23. You have made this purchase of Chas. K. Fox, City, to supply immediate needs. Verify and enter.

No. 45.—MAY 23. Sold G. H. Thomas, for cash, a sample lot of 75 lbs. Maracaibo at $18\frac{1}{2}$ ¢ and 25 lbs. Rio at $14\frac{1}{2}$ ¢.

Do not enter this in the sales book, as it is not for a regular customer, but carry it direct to the cash book, giving *Merchandise* credit in that book. Make a memorandum of the sale on a slip of paper, and place it in your Vouchers for Others.

In any wholesale house there will be a few of these petty sales. They are not entered in the sales book but carried direct to the cash book.

No. 46.—MAY 23. SIXTH REPORT. Pencil foot the cash book up to this date. Make a report and take all papers to your teacher for approval. Do not balance your cash book, but see that the cash balance on your report agrees with the amount of cash in your Cash Drawer, plus your bank balance, and also that this amount is the same as the difference between the two sides of your cash book.

No. 47.—MAY 24. The express company has returned the collection of May 21 in the form of an express money order. It collected \$10 from Vincent for you, but it retains 25 ¢ as its charge for returning the money; so the order is for \$9.75.

In actual business, this money order would be received by mail in the envelope you filled out in No. 40; and on the envelope would be noted the charge of 25 ¢ for return of money.

On the debit side of the cash book write in the first wide column *C. O. D.*, in the explanation space *Jas. H. Vincent*, and in the money column *10*. Post the \$10 at once to the credit of *C. O. D.* account as explained and illustrated on the preceding page. On the credit side of the cash book debit *Expense* for the return charge, 25 ¢. Put the express money order in your Cash Drawer.

Some shippers require the purchaser to pay the charges for the return of amount collected. In that case the word *Add* is written before *Chgs. for Return of Money* on the *C. O. D.* envelope when it is filled out.

No. 48.—MAY 24. Send a telegraphic message of not more than 15 words to L. Hennes & Co., New York, ordering 12 bags Maracaibo coffee, 12 half chests Oolong tea, and 5 cases Ceylon tea, to be sent by fast freight. Pay 35 ¢ for the telegram; also pay for having windows cleaned, \$1.50. Place this money in Cash Paid Out.

No. 49.—MAY 24. Fill this order from A. A. Knowles & Co., which is received with a note to apply on account.

Place the note in your Cash Drawer, and file the order. Write a letter of acknowledgment for the note, place it, with the invoice, in an envelope properly addressed, and put in your Vouchers for Others.

No. 50.—MAY 25. Deposit the check you received from F. C. Tenney, May 15th, and Rice & Pond's check of May 22d; also the \$9.75 express money order and \$100.25 currency. Also discount the note of \$600 received from A. A. Knowles & Co. yesterday.

Calculate the discount and find the net proceeds. Make out discount memorandum

and deposit slip; treat the money order like a check. After entering the deposit slip on left-hand page of check stubs, take the deposit slip, the checks, the express money order, the currency, the note properly indorsed, the discount memorandum, and your bank pass book to the bank teller, who will give you credit for the deposit and for the net proceeds of the note. Do not fail to enter these amounts on the stub of your check book. Make the proper cash book entry. (See transaction 18, page 82.)

No. 51. — MAY 25. Write a check for \$700 and mail it, with letter, to E. Westen Tea & Spice Co., to apply on account.

No. 52. — MAY 26. This invoice is received from L. Hennes & Co., in response to your telegram of May 24th. Verify, enter, and file.

No. 53. — MAY 26. Fill this telegraphic order from E. Mason & Co. Make the terms 30 days, $\frac{3}{10}$. Check off each item, and place the telegram in your Voucher File.

No. 54. — MAY 26. Pay the invoice purchased of Chas. K. Fox, May 23d, by check, less 3 %.

No. 55. — MAY 26. This order comes from S. E. Kingsley, a stranger, and as you know nothing of his standing you may fill the order and send as directed, C. O. D. Make the terms C. O. D. less 3 %, and write him that if references prove satisfactory, you will be pleased to open an account with him. Take off 3 % for cash on the bill, but enter in the sales book for the full amount. Post at once from sales book to C. O. D. account (see No. 40).

No. 56. — MAY 28. Fill this new order from E. Mason & Co. as requested. Make the terms 30 days, $\frac{3}{10}$.

What do you do with the order? What with the bill?

No. 57. — MAY 28. This purchase is made of Chas. K. Fox, City, on account.

What do you do with the invoice? (Compare with No. 5, page 76.)

No. 58. — MAY 28. C. O. D. to S. E. Kingsley sent May 26 has been returned. There are two orders because express money orders are not made for more than \$50. The total amount is only \$86.80, instead of \$87.30, because the express company retains 50¢ for return charge.

Credit C. O. D. on the debit side of the cash book for the full amount of the bill before the discount was deducted. On the credit side of the cash book, debit *Merchandise Discount* for the 3 % discount, and in the explanation space write *C. O. D., S. E. Kingsley*.

What entry do you make for the 50¢? (See No. 47.)

No. 59. — MAY 29. The goods listed in this invoice have been purchased of West, Stone & Co., by Mr. Adams.

No. 60. — MAY 29. Send a check for \$500 to Shields Bros., to apply on account.

No. 61. — MAY 30. The City Carting Company have paid your freight bills and delivered goods which you have purchased, and now present their bill for the month, which you will pay by check. Enter in the cash book (see rule 13, page 27).

No. 62. — MAY 31. Your own salary for the month is \$75, for which you may write a check; also write a check for \$45, favor of R. E. Leavitt, clerk.

No. 63. — MAY 31. H. F. Adams has given, as a personal gift to the city mission, 20 lbs. Young Hyson tea, 10 lbs. Japan tea, 10 lbs. of English Breakfast tea. Charge him with these goods at the cost price. Enter in the sales book.

No. 64. — MAY 31. You have received a note for \$700 at 10 days, with interest, from A. W. McKey, for which you will give him credit. See that the note is correctly written and place it in your Cash Drawer. (No entry for interest.)

No. 65. — MAY 31. Deposit express money orders and all cash in your bank. Have your bank book written up, and see that your balance agrees with the balance as shown on the stub of your check book.

No. 66. — MAY 31. SEVENTH REPORT. Prepare your report and hand in all vouchers for approval. After your report has been O.K'd, balance your cash book and see that the cash balance as shown by the cash book agrees with the bank balance as shown on the stub of your check book.

POSTING

Post from all your books to the ledger and check your postings. If in doubt in regard to the posting, review pages 86-88. Be sure that the total of the sales book is carried to the credit of Merchandise. After reading carefully pages 67 and 68, make out your monthly statement to each customer. Take a trial balance of differences only.

INVENTORIES

Merchandise unsold:

| | |
|---------------------------------|-----|
| 26 hf. chts. Oolong, 1300 lbs., | 48¢ |
| 18 " " Young Hyson, 1260 lbs., | 33¢ |
| 18 " " E. Breakfast, 1080 lbs., | 31¢ |
| 25 " " Japan, 1500 lbs., | 23¢ |
| 15 cases Ceylon, 750 lbs., | 35¢ |
| 12 bales Mocha, 1800 lbs., | 23¢ |
| 26 mats Java, 1950 lbs., | 22¢ |
| 1575 lbs. Maracaibo, | 11¢ |
| 650 lbs. Rio, | 10¢ |
| 34 boxes W. Pepper, 340 lbs., | 23¢ |
| 24 " Cinnamon, 240 lbs., | 27¢ |
| 26 " Cloves, 260 lbs., | 14¢ |
| 9 " Ginger, 90 lbs., | 22¢ |
| 8 pails Ginger, 200 lbs., | 22¢ |
| 110 lbs. Nutmegs, | 60¢ |

Office furniture and fixtures are valued at 10% less than cost.

Office books, stationery, and unexpired insurance are valued at \$98.75.

Your real estate is valued at cost, as shown by the debit side of your ledger account.

Calculate the amount of your inventories of Merchandise and Furniture and Fixtures and present to your teacher for approval. Write all your inventories at the proper place in Blank No. 1.

STATEMENTS

Prepare business and financial statements, according to instructions below. In your business statement, you should include Merchandise Discount, Discount, and Furniture and Fixtures, besides accounts previously included. In the financial statement, you should include inventories of Merchandise, Furniture and Fixtures, and Expense among the resources.

Business Statement -

| | | | |
|----|--|--------|--------|
| 1 | Merch. on hand at close of last month | | |
| 2 | Merch. purchased during the month | 7,200 | 7,200 |
| 3 | | | 8640 |
| 4 | Expense, cost for the month | 265 50 | |
| 5 | Less inventory of unexpired insurance and stationery | 75 | 190 50 |
| 6 | Discount | | 42 50 |
| 7 | Depreciation as under: | | |
| 8 | Furniture & fixtures | | 27 50 |
| 9 | | | |
| 10 | | | 150 50 |

In the previous work the student has prepared simple forms of business and financial statements, designed to help in making clear the fundamental principles of bookkeeping. Now that the student has taken up the study of practical bookkeeping, he may prepare statements in the forms shown above and on pages 100, 101, which are the forms commonly used by experienced accountants and auditors.

Form of Business Statement. — The business statement, or statement of losses and gains, is closed in two sections. The first section is really an abstract of Merchandise account; it shows details of the gain or loss on Merchandise account only. The second section is a statement of the losses and gains of the business proper. It shows the amount of gain or loss from Merchandise account, the expenses of the business, gains or losses other than from Merchandise account, such as from Merchandise Discount, and finally the net gain or loss of the business as a whole.

If there are transactions in stocks and bonds, or anything else outside of the business proper, the gain or loss on such transactions should be shown in a third section of the statement.

On the debit side of the first section of the business statement, we have (1) merchandise on hand at the close of last month; (2) cost of merchandise during the month. These two items are entered in the first column, added, and their sum extended into the second column. In the above model statement there was no merchandise on hand at the close of last month, hence there is no amount after this item.

On the credit side of the business statement in the first section, we have (3) amount of merchandise sales during the month; (4) merchandise now on hand, as per inventory.

merch. Statement

| | | | |
|----|-------------------------------------|------|------|
| 3 | <i>Merch. sold during the month</i> | 6400 | |
| 4 | <i>" on hand now</i> | 2200 | 8600 |
| | | | 8600 |
| 10 | <i>Gain brought down</i> | | 1440 |
| 11 | <i>Merch. Discount</i> | | 6557 |

15057

The amounts of these two items are entered in the first column, and their sum extended into the second column.

It is evident that the difference between the amount of merchandise on hand in the beginning of the month plus the amount purchased during the month, and the amount of merchandise sold during the month plus that on hand at the end of the month, will be the loss or gain on merchandise. In the above statement the gain is found to be \$1440, and the amount is written after *Gain carried down*, in red ink, on the debit side.

In the second section of the business statement we have, on the debit side (6) the total cost of expense; (7) the amount of unexpired insurance and stationery, which, paid for under expense, has not yet been used; the difference between (6) and (7), extended into the second money column as the loss on expense; (8) the loss on discount; (9) the loss on furniture and fixtures on account of depreciation in value.

In the second section of the business statement, on the credit side, we have (10) the gain on merchandise, which is written after *Gain brought down* (that is, this gain is brought down from the first section); and (11) the gain on merchandise discount. The difference between the sum of the debit amounts and the sum of the credit amounts will show the net gain of the business. The net gain is written in red ink on the debit side of the statement (12).

When the proprietor examines the above statement, he can tell at a glance the amount of merchandise purchased during the month, the amount of sales, the amount on hand, his gain on merchandise, and his net gain on the business as a whole.

If he has purchased and sold stocks and bonds, bank stock, real estate, or anything of this character, the result of such transactions would be shown in a third section of the business statement. In this case the net gain of the second section would be the net gain of the business proper, and this would be carried down to the third section. The difference between the two sides of the third section would be the net gain or loss on his entire transactions.

A business might be paying, and the proprietor still be losing money on account of losses sustained by outside transactions. The profit on merchandise might be sufficient, and still the business be conducted at a loss, on account of enormous expenses. For this, and various other reasons, it is essential that the loss and gain statement should be closed in sections, so that the proprietor may determine at a glance the exact condition of his business.

How to Make out Your Business Statement for May. — The following paragraphs are numbered to correspond with the numbers before the items in the statement on pages 96 and 97. These numbers indicate the order in which the various items are to be placed on the statement, *but the student should omit them* in making out his statement.

1. Turn to the merchandise account in your ledger. As this is the beginning of the business, there was no merchandise on hand at the beginning of the month, hence nothing will be written after *Merchandise on hand at the close of last month*, but you may write these words in your business statement (see model, page 96).

2. The sum of the items on the debit side of your Merchandise account in your ledger represents the cost of merchandise during the month. Write the amount after *Merchandise, cost of, during the month*.

3. The sum of the items on the credit side of your Merchandise account represents the amount of merchandise you have sold during the month. Place the amount after *Merchandise sales during the month* (see model, page 97).

4. Write the amount of your inventory after *Merchandise on hand now*.

5. Find the difference between the sum of the items on the debit side and the sum of the items on the credit side of your business statement, and write this difference, in red ink, after *Gain carried down* on the debit side of your business statement in the second column, after which rule and foot the first section of your business statement, as in the model.

6. Write the total cost of expense, as shown by your trial balance, after *Expense, cost for the month*.

7. After *Less inventory of unexpired insurance and stationery*, write the amount of your expense inventory. Subtract this from cost of expense, and extend the difference into the second column (see model, page 96).

8. After *Discount*, write the amount of the loss on discount, as shown by your trial balance.

9. A depreciation of 10% has been allowed for wear and tear on office furniture. Write the amount of this depreciation, which is a loss to the business, opposite *Furniture and Fixtures*, under the heading *Depreciation as under*: (see model).

10. Bring down the amount of the gain shown in the first section of the business statement, and write it under *Gain brought down* in the second section.

11. After *Merchandise Discount*, write the gain on merchandise discount, as shown by your trial balance.

12. Find the difference between the sum of the items on the debit side and the sum of the items on the credit side of your business statement, and write the amount, in red ink, after *Net Gain*. Rule and foot the second section of your statement, as in the model.

Form of Financial Statement. — A financial statement, or balance sheet, should begin with the most available resource, *Cash*. The amounts of cash in safe and in bank are writ-

ten separately in the first column, and their sum in the second column (see model, pages 100 and 101).

Various kinds of property owned by the business are next listed under the title, *Properties as under*: Real estate, in the model, is listed at its ledger valuation, on the presumption that it is worth at the present time the amount paid for it. Naturally there has been wear and tear, or depreciation, upon office furniture and fixtures: their cost is shown in the first column; under this is written the amount charged off for depreciation; and the difference, or present value of the furniture and fixtures, is extended into the second column. Goods on hand are inventoried usually at their cost price, and the amount is written in the second column. If there is any property on hand which was charged to Expense when bought, it is considered a resource inventory and listed in the second column.

The next title, *Sundry trade debtors as under*, covers all amounts owing the business by firms and individuals. The amount of notes held is written after *Bills Receivable*, and the amount due the business on personal accounts is written after *Open book accounts considered good*. Usually an amount is deducted from *Open book accounts* as a reserve for bad debts. *Open book accounts* are also frequently divided into two classes—*Open book accounts considered good* and *Open book accounts considered doubtful*. In connection with this statement, it is customary to make out a list of all debtors and creditors of the business.

If there were any other assets, they would be enumerated in detail on the debit side of the financial statement.

The liabilities are written on the credit or right-hand side of the statement. The first title, *Sundry trade creditors as under*, covers all persons or firms whom the business owes, either on note or on account. The amount owed on notes is written after *Bills Payable*. The amount owed on personal accounts is written after *Open book accounts*. If the business had other liabilities, they would be here enumerated. The sum of the liabilities is written in below a red line, as shown in the model.

The amount the proprietor has invested in the business is next written down in the first column, and from this is subtracted the sum of his withdrawals. To the remainder is added the net gain from the business statement, and the sum is extended to the second column, in red ink, after the title, *Present worth of business*.

Notice the footings and ruling of the model.

A financial statement, or balance sheet, made out as above, will show in classified form the actual assets (resources) and liabilities of the business. The proprietor of a business, in examining such a balance sheet, can tell at a glance the amount of property he has on hand, and the basis of its valuation; for the statement shows any amount that has been charged off for depreciation, or anything that has been added on account of an increase in value.

How to Make out Your Financial Statement.—Follow the style of the model on pages 100, 101, inserting the headings as you reach them. The following paragraphs are numbered to correspond with the numbers in the model. Do not write these numbers.

1. Ascertain the amount of cash in the safe or drawer, and write it in the first column after *Cash in safe*.

2. Ascertain from your check book the amount of cash in bank, and write it after *Cash in bank*. The amounts of cash in bank and in safe should be added, and written in the second money column of the statement (see model, page 100). The amount of cash shown by the statement should be the same as that shown on the trial balance.

3. After *Real Estate, Ledger valuation* write the amount of real estate (\$12,125), as shown by your trial balance, in the second column of your statement.

Financial Statement

| | | |
|-------------------------------------|------|----------|
| 1. Cash on hand | 1140 | |
| 2. " in bank | 60 | 1200 |
| Properties as under: | | |
| 3. Real Estate, Ledger valuation | | 2000 |
| 4. Furniture & Fixtures | 275 | |
| 5. Less depreciation | 2750 | 24750 |
| Merch. on hand, valued by Mr. White | | 2240 |
| 7. Expense, inventory | | 75 |
| Sundry trade debtors as under: | | |
| 8. Bills Rec. | | 1500 |
| 9. Open book accts, considered good | | 6169 67 |
| | | 13432 17 |

4. Find the amount charged to Furniture and Fixtures, as shown by your trial balance (\$231), and write it after *Furniture and Fixtures* in the first money column of your statement.

5. A depreciation of 10% is allowed on furniture and fixtures. Write the amount of depreciation (\$23.10) after *Less depreciation*, subtract this amount from the amount of furniture and fixtures, and extend the difference to the second column of your statement.

6. Write the amount of the inventory of merchandise after the proper title, in the second column. You should write Mr. Adams's name in place of Mr. White's, as the value of the merchandise is estimated by him.

7. Write the inventory of expense (\$08.75) after the proper title.

8. Write in the proper place the amount of bills receivable, as shown by your trial balance.

9. Find the sum of the amounts owing the business on account by different persons, as shown by your trial balance, and write it after *Open book accounts considered good*. The persons who owe H. F. Adams are A. A. Knowles & Co., Dickson & Young, A. W. McKey, F. C. Tenney, F. H. Randall & Co., Rice & Pond, and E. Mason & Co.

10. Next come the liabilities. Write the amount of bills payable, shown by your trial balance, in the proper place.

11. Find the sum of the amounts that H. F. Adams owes different persons on account, as shown by your trial balance, and write this sum after *Open book accounts*. Find the sum

men. May 31, 1917-

| | | |
|---|-----------------------------|---------|
| <i>Sundry trade creditors as under:</i> | | |
| 10 | <i>Bills Pay.</i> | 2890 |
| 11 | <i>Open-book accts.</i> | 4416.50 |
| | | 7306.50 |
| 12 | <i>H. F. Adams invested</i> | 4900 |
| 13 | <i>" " " withdrew</i> | 100 |
| | | 4800 |
| 14 | <i>Net Gain</i> | 124537 |
| 15 | | |
| | | 1343217 |

of your open book accounts and bills payable, and write the amount below a single-ruled line, as shown in the model.

12. Show the amount of H. F. Adams's investment in the style of the model. The amount of his investment will be the total of the amounts on the credit side of H. F. Adams's account in the ledger.

13. Write, as the amount of H. F. Adams's withdrawals, the sum of the amounts on the debit side of his account in the ledger. Subtract the withdrawals from the amount invested, and write the difference, which is the net investment, below a single-ruled line (see model).

14. Underneath the net investment write the amount of the net gain, as shown by your business statement.

15. Add the net gain to the net investment, and write the amount in red ink after *Present worth of business*, in the second money column. Rule and foot your financial statement as indicated in the model.

CLOSING THE LEDGER

Hand your business statement and your financial statement to your teacher for approval. If they are correct, close your ledger, and hand in all your books to your teacher for examination.

PRICE LISTS FOR MAY AND JUNE

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | |
|--------------------------|-------------|----------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | lbs. | | | | | | | | | | | | | |
| Japan | Ht. Ch. | .60 | .40 | .38 | .37 | .36 | .35 | .26 | .41 | .35 | .34 | .30 | .24 | .25 | .30 |
| Oolong | " | .50 | .35 | .62 | .64 | .62 | .73 | .60 | .72 | .70 | .71 | .50 | .63 | .62 | .57 |
| Coolon | Case | .50 | .60 | .50 | .55 | .65 | .45 | .50 | .53 | .55 | .45 | .40 | .57 | .50 | .50 |
| A. Hyson | Ht. Ch. | .70 | .35 | .37 | .38 | .39 | .50 | .40 | .51 | .40 | .41 | .30 | .51 | .50 | .45 |
| Long Breakfast | " | .60 | .50 | .45 | .44 | .43 | .32 | .30 | .33 | .35 | .34 | .30 | .42 | .43 | .48 |
| Mocha | Bale | 1.50 | .25 | .25 ¹ | .24 | .24 ¹ | .20 ¹ | .25 | .24 ¹ | .27 | .38 ¹ | .20 | .30 | .32 | .28 |
| Java | Mat | .75 | .28 ¹ | .25 | .25 ¹ | .26 ¹ | .20 ¹ | .30 | .30 ¹ | .20 ¹ | .27 ¹ | .26 | .27 | .24 ¹ | .24 |
| Manacibo | Bag | 1.25 | .18 ¹ | .18 | .16 ¹ | .19 | .17 | .18 | .19 | .16 ¹ | .15 | .14 ¹ | .13 ¹ | .11 ¹ | .15 ¹ |
| Rio | " | 1.25 | .14 ¹ | .18 | .17 ¹ | .16 ¹ | .14 | .13 | .12 ¹ | .13 ¹ | .15 ¹ | .17 | .16 | .18 ¹ | .19 |
| W. Peppet | Box
Pail | 10
25 | .30 | .31 ¹ | .29 | .28 | .31 | .33 ¹ | .30 | .33 | .32 | .30 ¹ | .26 ¹ | .28 | .29 |
| Cinnamon | Box
Pail | 10
25 | .35 | .36 ¹ | .33 | .34 | .37 | .38 | .33 | .32 | .35 | .30 | .37 | .34 | .34 ¹ |
| Cloves | Box
Pail | 10
25 | .20 | .18 ¹ | .21 | .22 | .19 | .16 ¹ | .20 | .17 | .18 | .10 ¹ | .23 ¹ | .22 | .21 |
| Nutmegs | | | .70 | .60 | .72 | .71 | .68 | .67 | .72 | .73 | .70 | .66 | .68 | .71 | .70 ¹ |
| Ginger | Box
Pail | 10
25 | .30 | .32 | .35 | .25 | .45 | .40 | .37 | .35 | .45 | .30 | .33 | .34 | .31 |

The small index figures used in the above price lists indicate "fourths." 25¹ equals 25 $\frac{1}{4}$, 25² equals 25 $\frac{2}{4}$, 25³ equals 25 $\frac{3}{4}$.

PRICE LISTS FOR JUNE

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 |
|--------------------------------|------|------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | lbs. | | | | | | | | | | | | |
| Flour, Northern Star | Bbl. | 4.08 | 4.10 | 4.12 | 4.14 | 4.16 | 4.18 | 4.20 | 4.22 | 4.24 | 4.26 | 4.28 | 4.30 | 4.32 |
| " Searchlight Pastry | " | 4.60 | 4.58 | 4.56 | 4.54 | 4.52 | 4.50 | 4.48 | 4.46 | 4.44 | 4.42 | 4.40 | 4.38 | 4.36 |
| " Graham | Case | 2.85 | 2.90 | 2.95 | 3.00 | 2.86 | 2.91 | 2.96 | 3.01 | 2.87 | 2.92 | 2.97 | 3.02 | 2.88 |
| H. O. Buckwheat | " | 3.25 | 3.20 | 3.15 | 3.10 | 3.24 | 3.19 | 3.14 | 3.09 | 3.23 | 3.18 | 3.13 | 3.08 | 3.22 |
| Oatmeal, Pawnee | Bbl. | 4.35 | 4.30 | 4.25 | 4.20 | 4.34 | 4.29 | 4.24 | 4.19 | 4.33 | 4.28 | 4.23 | 4.18 | 4.32 |
| Quaker R. O. | Case | 3.40 | 3.51 | 3.50 | 3.64 | 3.50 | 3.55 | 3.60 | 3.65 | 3.51 | 3.56 | 3.61 | 3.66 | 3.52 |
| Sugar, Granulated | Bbl. | 3.00 | .05 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .05 ¹ |
| Rice | " | 1.50 | .06 ¹ | .06 ¹ | .05 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .05 ¹ | .06 ¹ |
| Corn | Doz. | .85 | 1.10 | .86 | 1.00 | .87 | 1.08 | .88 | 1.07 | .89 | 1.06 | .90 | .98 | .91 |
| Tomatoes | " | 1.20 | .95 | 1.10 | .96 | 1.18 | .97 | 1.17 | .98 | 1.16 | .99 | 1.15 | 1.07 | 1.14 |
| Beans, Lima | " | .81 | 1.07 | .82 | 1.00 | .83 | 1.15 | .84 | 1.04 | .85 | 1.03 | .86 | 1.02 | .87 |
| Soap, Ivory | Box | 7.27 | 7.01 | 7.26 | 7.02 | 7.25 | 7.03 | 7.24 | 7.04 | 7.23 | 7.05 | 7.22 | 7.06 | 7.21 |

PRICE LISTS FOR MAY AND JUNE (Continued)

| | | | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|--------------------------|---------|------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | lbs. | | | | | | | | | | | | |
| Japan | Hf. Ch. | 60 | .32 | .38 | .42 | .34 | .29 | .31 | .33 | .37 | .28 | .26 | .30 | .29 |
| Oolong | " | 50 | .55 | .49 | .52 | .58 | .64 | .67 | .65 | .72 | .57 | .69 | .66 | .58 |
| Ceylon | Case | 50 | .61 | .52 | .47 | .43 | .39 | .38 | .41 | .44 | .37 | .36 | .42 | .40 |
| Y. Hyson | Hf. Ch. | 70 | .43 | .37 | .35 | .41 | .46 | .44 | .42 | .48 | .47 | .49 | .45 | .46 |
| Eng. Breakfast | " | 60 | .50 | .56 | .53 | .47 | .41 | .38 | .40 | .33 | .48 | .36 | .39 | .47 |
| Mocha | Bale | 150 | .28 ² | .27 ² | .30 ² | .25 | .31 | .28 | .26 | .27 | .29 ² | .24 | .28 | .26 ¹ |
| Java | Mat | 75 | .26 ² | .28 ² | .25 ² | .28 ² | .31 ² | .27 ² | .29 | .24 | .26 ² | .23 | .24 ² | .29 ² |
| Maracaibo | Bag | 125 | .15 | .16 | .13 | .18 ² | .12 ² | .15 ² | .17 ² | .16 ² | .14 | .19 ² | .15 ² | .17 |
| Rio | " | 125 | .16 ² | .14 ² | .17 ² | .14 ² | .11 ² | .15 ² | .14 | .19 | .16 ² | .20 | .18 ² | .13 ² |
| W. Pepper | Box | 10 | .27 | .25 | .32 | .31 | .28 | .33 | .28 ² | .27 ² | .28 | .29 | .31 | .27 |
| | Pail | 25 | | | | | | | | | | | | |
| Cinnamon | Box | 10 | .40 | .38 | .32 | .36 | .41 | .37 | .39 | .42 | .40 | .35 ² | .33 | .34 |
| | Pail | 25 | | | | | | | | | | | | |
| Cloves | Box | 10 | .23 | .25 | .18 | .19 | .22 | .17 | .21 ² | .22 ² | .22 | .21 | .19 | .23 |
| | Pail | 25 | | | | | | | | | | | | |
| Nutmegs | | | .65 | .67 | .73 | .69 | .64 | .68 | .66 | .63 | .65 | .69 ² | .72 | .71 |
| Ginger | Box | 10 | .29 | .38 | .43 | .47 | .51 | .52 | .49 | .46 | .53 | .54 | .48 | .44 |
| | Pail | 25 | | | | | | | | | | | | |

The small index figures used in the above price lists indicate "fourths." 25¹ equals 25¹, 25² equals 25¹, 25³ equals 25⁴.

PRICE LISTS FOR JUNE (Continued)

| | | | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|--------------------------------|------|------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | | lbs. | | | | | | | | | | | | |
| Flour, Northern Star | Brl. | | 4.34 | 4.36 | 4.38 | 4.40 | 4.42 | 4.44 | 4.46 | 4.48 | 4.50 | 4.52 | 4.54 | 4.56 |
| " Searchlight Pastry | " | | 4.34 | 4.32 | 4.30 | 4.28 | 4.26 | 4.24 | 4.22 | 4.20 | 4.18 | 4.16 | 4.14 | 4.12 |
| " Graham | Case | | 2.93 | 2.98 | 3.03 | 3.08 | 2.80 | 2.94 | 2.99 | 3.04 | 2.80 | 2.84 | 2.82 | 2.83 |
| H. O. Buckwheat | " | | 3.17 | 3.12 | 3.07 | 3.02 | 3.21 | 3.16 | 3.11 | 3.06 | 3.30 | 3.26 | 3.28 | 3.27 |
| Oatmeal, Pawnee | Brl. | | 4.27 | 4.22 | 4.17 | 4.12 | 4.31 | 4.26 | 4.21 | 4.16 | 4.40 | 4.36 | 4.38 | 4.37 |
| Quaker R. O. | Case | | 3.57 | 3.62 | 3.67 | 3.72 | 3.53 | 3.58 | 3.63 | 3.68 | 3.44 | 3.48 | 3.46 | 3.47 |
| Sugar, Granulated | Brl. | 300 | .05 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .05 ¹ | .05 ¹ | .05 ¹ | .06 ¹ |
| Rice | " | 150 | .06 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .05 ¹ | .06 ¹ | .06 ¹ | .06 ¹ | .06 ¹ | .05 ¹ |
| Corn | Doz. | | 1.04 | .92 | 1.03 | .93 | 1.02 | .94 | 1.01 | .95 | 1.00 | .96 | .99 | .97 |
| Tomatoes | " | | 1.01 | 1.13 | 1.02 | 1.12 | 1.03 | 1.11 | 1.04 | 1.15 | 1.05 | 1.09 | 1.06 | 1.08 |
| Beans, Lima | " | | 1.01 | .89 | .99 | .90 | .98 | .91 | .97 | .92 | .96 | .93 | .95 | .94 |
| Soap, Ivory | Box | | 7.07 | 7.19 | 7.09 | 7.18 | 7.10 | 7.17 | 7.11 | 7.16 | 7.12 | 7.15 | 7.13 | 7.14 |

QUESTIONS

1. Explain the use of the cash book.
2. Where should cash received be entered?
3. Where should cash paid out be entered?
4. What should the difference between the sides of the cash book show?
5. Why should the cash book be balanced frequently?
6. When should it be balanced daily?
7. What ledger account does the cash book enable us to dispense with?
8. How should you show the balance of cash in the trial balance?
9. Explain the use of the sales book.
10. To what account in the ledger, and to which side of the account, should the footing of the sales book be carried?
11. What should be the first entry in the journal-daybook of any business?
12. Why are persons debited from the sales book for merchandise sold them for cash, and then credited from the cash book for the cash paid?
13. What is meant by indorsing a note?
14. What is bank discount?
15. For what length of time is bank discount always calculated?
16. How would you proceed to find the time of discount?
17. What entry should be made on the debit side of the cash book when a bill receivable is discounted?
18. What entry should be made on the credit side of the cash book in this case?
19. What entries should be made when a bill payable is discounted?
20. Define merchandise discount.
21. When is merchandise discount debited? When credited?
22. What is the difference between discount and merchandise discount?
23. To which side of the ledger should amounts on the left-hand side of the cash book be carried? To which side the amounts on the right-hand side?
24. How should the cash book posting be designated in the ledger?
25. Why should the terms of sale be shown in posting the sales book items to the ledger?
26. What is a bill of lading? What other forms are made out at the same time with a bill of lading?
27. Explain in full the process of making and handling a set of these forms.
28. What care should be taken in writing a telegram?
29. How should figures be indicated in a telegram?
30. What is meant by repeating a message? What is a code?
31. Describe the process of shipping goods C. O. D. by express.
32. Describe the method of entering C. O. D. sales in the sales book and in the ledger.
33. How should petty cash sales be entered?
34. In how many sections is the business statement closed?
35. What does the first section of the business statement show? The second section?
36. If there are outside speculations, what further closing would be necessary?
37. What three classes of resources are shown in the financial statement?
38. In making a financial statement, where would you find the cash on hand?
39. Where would you find the items comprised in "Properties as under"?
40. What is comprised in "Sundry trade debtors"? Explain where these items are found.
41. What does "Sundry trade creditors" include? Where may these be found?
42. How is the proprietor's net investment found?
43. How is the present worth of the business determined?
44. Why must the present worth added to the liabilities equal the resources?
45. What entries in your books should be made in red ink?

SUPPLEMENTARY EXERCISE — No. 3

BANK DISCOUNT AND INTEREST

On a sheet of journal paper arrange a cash book for the following transactions. You will need to rule one additional vertical line. Get a sheet of foolscap, on which to write the notes.

For each of the following transactions, write the note and make the proper cash book entries. Reckon interest and discount at 6% per annum unless otherwise stated.

In discounting notes, always find first the due date of the note, then find the actual number of days from the date of discount to the due date, and calculate the discount for this time.

TRANSACTIONS

MAY 1, 19—. — You have on hand D. H. Farley's note for \$1200, dated this day, at four months. Have it discounted at the City Bank at 6%.

MAY 2. — Desiring to borrow money, you arranged with E. M. Parker to indorse a note of \$4500 for you, payable at the City Bank in 90 days, and the City Bank has discounted this note and placed the net proceeds to your credit. (See No. 14, pages 79, 80.)

MAY 3. — You have on hand H. G. Smith's note for \$800, dated Jan. 16, at four months. Have this note discounted at the City Bank.

MAY 4. — You have outstanding a note in favor of Reed & Barton, dated April 25, at three months, for \$950, and you pay it to-day less the bank discount for the unexpired time. (*Credit Discount.*)

MAY 5. — You have on hand J. B. Freeman's note for \$728.50, dated April 5, at four months. He pays it to-day in cash, less discount for the unexpired time.

MAY 5. — You have on hand J. C. Schlueter's note for \$2400, dated April 5, due 30 days from date, with interest; he pays you to-day in full.

In the above problem the interest should be found for the time of the note at 6%. In the cash book *Cash* should be debited and *Bills Receivable* credited for the face of the note, with the explanation, *J. C. Schlueter note 4/5*. *Cash* should also be debited and *Interest* credited for the amount of interest on the note (\$12) with the explanation *on above note*.

MAY 5. — Paid cash for my 6-months' note due to-day, favor of Clark & Harris, for \$1000, with interest.

This problem is exactly the reverse of the preceding one. *Cash* is credited and *Bills Payable* debited, with *Clark & Harris note 11/5* as explanation; and *Cash* is credited and *Interest* debited, with *on above note* as explanation.

MAY 7. — You have on hand C. B. Fenner's note for \$1100, dated April 25, at 90 days. Have it discounted to-day at 5%.

MAY 7. — You have a note outstanding in favor of Charles Langdon for \$1200, dated April 20, at four months. Langdon offers to allow you bank discount at 9% for the unexpired time if you will pay now, and you accept the proposition, paying cash.

MAY 8. — D. W. Evans & Co. owe you a note of \$7000, dated April 30, at four

months. Needing the money, you offer them bank discount at 8% if they will pay the note to-day, which they do.

MAY 6. You have on hand Sam. E. Curtis's note for \$1200, dated April 20, at 60 days, with interest at 6%. Have it discounted at the City Bank to-day.

In discounting an interest-bearing note, the bank will first find the amount due at maturity. S. E. Curtis's note of April 20, at 60 days, will be due June 19, and the interest on \$1200 from April 20 to June 19, 60 days, equals \$12, which, added to \$1200, makes \$1212, the amount due June 19. This amount should be written on the face of the note, in ink, by the bank teller. You have the note discounted May 6. The bank teller will find the time from May 6, the date of discount, to June 19, the date of maturity (44 days), and will compute the discount on \$1212, the amount due at maturity, and deduct this discount from \$1212, leaving \$1203.72, the net proceeds of the interest-bearing note.

In this transaction, you have received \$1200 for the face of the note. In the cash book debit *Cash* and credit *Bills Receivable* for \$1200, with the explanation *S. E. Curtis note 4/20*. The bank allowed you \$12 interest. Debit *Cash* and credit *Interest* for this amount, with the explanation *on above note*. The bank charged you discount, \$8.28. Credit *Cash* and debit *Discount* for this amount, with the explanation *S. E. Curtis note 4/20*.

MAY 10. You have outstanding a note for \$1500 in favor of Barnes Bros., dated April 17, at 60 days, with interest at 5%. Barnes Bros. need the money, and agree to allow you bank discount at 6% if you will pay the note to-day, which you do. (Credit *Cash* for interest; debit *Cash* for discount.)

In this problem calculate the interest at 5% and the discount at 6%.

MAY 12. — You have on hand the note of The Allen Chemical Company for \$2650, dated April 12, at four months, with interest at 6%. Have it discounted to-day at the City Bank at 5%.

MAY 12. — O. M. Curtis gave you a note March 13, at 60 days, for \$800.75, with interest. The note is due to-day, and Curtis has paid you the amount due to redeem his note.

MAY 14. — Your note for \$746, in favor of G. W. Longley, dated Feb. 14, at three months, with interest, is due this day, and you pay the note and interest.

MAY 14. — A. S. Hewitt's note of March 14, at two months, for \$722.87, with interest, is due to-day, and he has given you a check for the note and interest.

MAY 15. — Your note for \$1262.25, in favor of L. E. Pearson & Co., dated March 31, at 45 days, with interest at 5%, is due to-day, and you pay the note and interest.

MAY 15. — You have your note for \$825, favor E. C. Ayer, and indorsed by him, dated this day, at three months, discounted at the Commercial Bank at 6%, and receive cash for the net proceeds.

MAY 16. — Bank messenger returns to you the check of A. S. Hewitt, received by you and deposited May 14, marked "No Funds," with a request for your check to cover same, which you give. (Debit *A. S. Hewitt*.)

MAY 17. — The note of H. G. Smith, which you discounted at bank May 3, has been protested for non-payment, and you have been obliged to give your check for the face of the note plus protest fees, \$2.50. (Debit *Protested Paper* for the total amount, which you will endeavor to recover from Smith.)

DRAFTS — JUNE

The business practice for the month of June, beginning on page 115, is a continuation of that for the month of May, with several additions, including drafts. As the subject of drafts sometimes gives trouble, the student should study it now until it is clear to him, before being called upon to handle that form of commercial paper in his vouchers.

A **Draft** is an order from one person, firm, or company on another to pay a certain sum of money, unconditionally, to the order of some person, firm, or company named in the body of the draft.

FORM OF SIGHT DRAFT, THREE PARTIES

S 300.00 Rochester NY June 1, 19 -
At sight Pay to
the order of Adams & Baker
Three hundred and 00/100 Dollars

Value received and charge the same to account of
To Wm. French No 714 Boston *Chas Rand*

Drawn by Adams & Baker, Stationers, Chicago, Ill.

In the above draft Chas. Rand orders Wm. French to pay to the order of Adams & Baker \$300. It is presumed that Wm. French owes Chas. Rand this amount, and that Chas. Rand is indebted to Adams & Baker, and gives them this order on Wm. French in payment of his indebtedness.

Parties to a Draft. — The “drawer” is the person, firm, or company that writes or draws the draft. In the form of draft given above the drawer is Chas. Rand.

The “payee” is the one to whom the draft is made payable. In the form of draft given the payee is the firm Adams & Baker.

The “drawee” is the one on whom the draft is drawn. In the preceding form Wm. French is the drawee.

General Rule for Journalizing Drafts

The drawer always credits the drawee, and the drawee always debits the drawer.

COURSE OF PROCEDURE WHEN A DRAFT IS DRAWN

Chas. Rand owes Adams & Baker and wishes to pay them \$300 on account. Wm. French owes Chas. Rand and is willing to pay to him, or to his order, \$300. Therefore the

following transaction is carried out: Chas. Rand writes an order, or draws a draft, June 1, on Wm. French, requesting him to pay to the order of Adams & Baker \$300.

The drawer should, in every case, notify the drawee that he has drawn on him; or, better still, notify him in advance that he will draw on him at a certain date, for no one is obliged to accept or pay a draft drawn on him by a creditor.

Drawer's Entry. — Having drawn the draft, Rand gives it to Adams & Baker and makes his journal entry, since the transaction is completed so far as he is concerned. Rand has given Adams & Baker the order, which will be worth \$300 to them when presented to Wm. French for payment; therefore, *Adams & Baker* should be debited \$300, the amount they will be paid. This amount, \$300, will be paid by Wm. French, therefore *Wm. French* should be credited the same as if he had paid the amount to Rand instead of to the person Rand designated in the draft.

The following is the journal entry required in the drawer's books for the above draft.

| | | |
|--------------------------|-------------------------------|-----|
| <i>Adams & Baker</i> | <i>Drawn at sight dft 300</i> | |
| <i>Wm. French</i> | <i>on Wm. French,</i> | 300 |
| | <i>favor of Adams</i> | |
| | <i>& Baker</i> | |

Rule A. — *The drawer's entry when a draft with three parties is drawn, whether it be a sight or a time draft, is Payee, Dr. and Drawee, Cr.*

Payee's Entry. — The payees, Adams & Baker, receive the draft from Chas. Rand, and they at once take it to Wm. French, or deposit it in their bank for collection, in which case the bank will take it to French, who pays the \$300. In either case Adams & Baker receive cash, \$300, and should debit *Cash*. The draft which produces them the \$300 was received from Chas. Rand, therefore *Chas. Rand* should be credited the same as if he had given them the \$300.

The following should be the payee's entry on the debit side of the cash book.

| | |
|--------------------------|-----------------------------------|
| <i>June 1 Chas. Rand</i> | <i>paid dft on Wm. French 300</i> |
|--------------------------|-----------------------------------|

Rule B. — *The payee's entry for a sight draft received and paid is Cash, Dr. and Drawer, Cr.*

Drawee's Entry. — When the draft is presented to Wm. French he examines it and notes that Chas. Rand has requested him to pay \$300 to the order of Adams & Baker, and if he honors the draft, he pays the amount, \$300, for it; and since he pays this amount on Chas. Rand's order, he debits *Chas. Rand* the same as if the cash were paid direct to him; and he credits *Cash* for the amount paid out.

The following is the drawee's entry for the above draft on the credit side of his cash book (assuming that he pays it on June 2, to the bank in which Adams & Baker deposited it).

| | |
|--------------------------|---|
| <i>June 2 Chas. Rand</i> | <i>paid dft at sight. A & B 300</i> |
|--------------------------|---|

Rule C.—Drawee's entry for a sight draft paid is *Drawer, Dr. and Cash, Cr.*

When a draft is paid, it is kept by the drawee, as evidence of the payment.

Ex. I.—Edward Martin draws a sight draft on B. W. Hammond, June 1, requesting him to pay to the order of Chas. Carter \$400, which he does the same day. Write the draft and make the entry of each party to the transaction. For this and the following examples, page 110, use foolscap paper, or foolscap and journal paper.

FORM OF TIME DRAFT, THREE PARTIES

| | | |
|--|-----------------------|------------|
| \$ <u>400.00</u> | Rochester, N. Y. | June 1, 19 |
| <u>Thirty days after date</u> | | Pay to |
| the order of <u>Edward Martin</u> | | |
| <u>Nine hundred & no</u> | | Dollars |
| Value received and charge the same to account of | | |
| To <u>D. H. Parsons</u> | { <u>M. F. Archer</u> | |
| No. <u>46 Detroit Mich</u> | { | |

Time Drafts.—The above draft, instead of being payable at sight, is not payable until 30 days after its date, or July 2, and is called a *time draft*. This draft, as soon as received by the payee, Edward Curtis, should be taken to the drawee, D. H. Parsons, who, if he decides to pay it, will write *Accepted* across the face, and sign his name, as shown above. This is generally done in red ink, though the color of the ink is unimportant.

For this draft, the drawer's entry will be the same as in the case of the sight draft, for the payee has received value, and should therefore be debited, while the drawee is to pay the draft when it falls due, and should therefore be credited.

The payee, however, instead of receiving cash from the drawee, Parsons, has received a promise to pay in 30 days; for writing the word "*Accepted*," and signing the name across the face of a draft, constitutes at law a promise to pay. This promise to pay is a bill receivable to the holder, therefore the payee's entry should be as follows.

| | |
|---------------------|---------------------------------|
| <i>Bills Rec.</i> | <i>Recd. M. F. Archer's 900</i> |
| <i>M. F. Archer</i> | <i>draft at 30 days on 900</i> |
| | <i>D. H. Parsons</i> |

Rule D.—The payee's entry for a time draft accepted is *Bills Receivable, Dr. and Drawer, Cr.*

When this draft is presented to D. H. Parsons, and he writes *Accepted*, *D. H. Parsons* across its face, he agrees to pay it in 30 days after June 2, and the draft at once becomes

to him a bill payable. He should debit the drawer, *M. F. Archer*, since it is for him that he has assumed this obligation, and should credit *Bills Payable*, since he has issued his written promise to pay \$900 in 30 days after June 2, or on July 2. The following should be Parsons's entry when he accepts the draft.

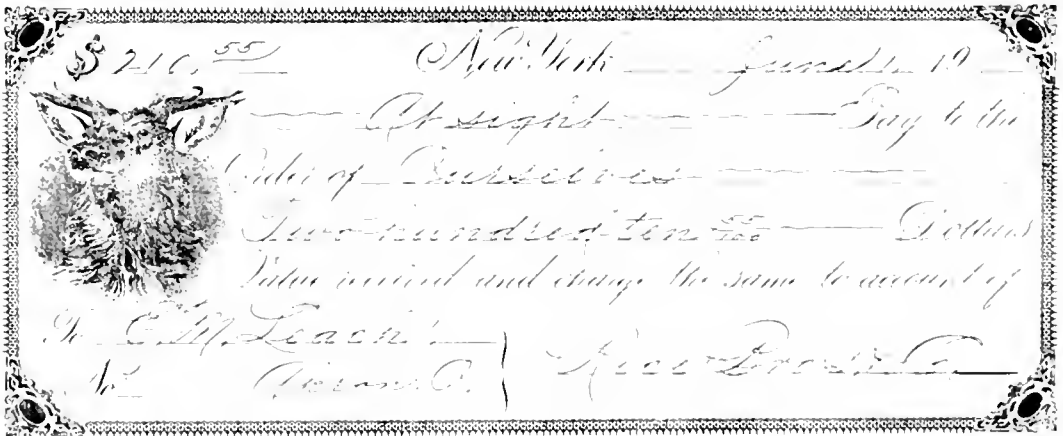
| | | |
|---------------------|-------------------------|-----|
| <i>M. F. Archer</i> | Accepted <i>M. F.</i> | 900 |
| <i>Bills Pay.</i> | <i>Bank Draft at 30</i> | 900 |
| | <i>days from June 2</i> | |
| | <i>favor of Edward</i> | |
| | <i>Gurtis</i> | |

Rule E. — *The drawee's entry for a time draft is Drawer, Dr. and Bills Payable, Cr.*

Ex. 2. — Geo. W. Allen draws a draft on Chas. W. Clinton for \$500, June 2, at 45 days from date, in favor of P. Y. Black. Write the draft as accepted by Chas. W. Clinton, and make the journal entry of each party to the transaction.

Two party Drafts. — The draft is used extensively in business for the purpose of collecting accounts that are past due, and instead of the promissory note in ordinary sales of merchandise. In these cases, the draft is made payable to the order of the drawer, and is generally collected through his bank.

FORM OF SIGHT DRAFT, TWO PARTIES



Rule F. — *When the drawer is also the payee, he credits the drawee as usual and debits Cash if the draft is at sight, or Bills Receivable if the draft is a time draft.*

Ex. 3. — J. B. Flint, of Rochester, N.Y., draws a draft at sight, June 3, in favor of himself, on A. H. Hines, of Portland Me., for \$250, and deposits it in his bank. Write the draft and make the entries of J. B. Flint and A. H. Hines.

Ex. 4. — J. B. Flint, of Rochester, N.Y., draws a draft for \$300, at 30 days' sight, in favor of himself, on J. L. Osborn, of Manchester, N.H., who accepts it June 4. Write the draft and the acceptance, and make the journal entries of J. B. Flint and J. L. Osborn. (For form, see next page.)

FORM OF TIME DRAFT, TWO PARTIES

| | | |
|--|----------------------|-------------|
| \$ <u>75.00</u> | Brooklyn, N. Y., | June 11, 19 |
| Pay to the order of <u>Emerson Bros.</u> | | Pay to |
| <u>one hundred seventy five</u> | | Dollars |
| Value received and charge the same to account of | | |
| To <u>Emerson Bros.</u> | <u>Chicago, Ill.</u> | |
| No. <u>569</u> | <u>J. P. Page</u> | |

BANK DRAFTS

In business a large proportion of remittances are made by means of bank drafts, which are accepted as cash.

FORM OF BANK DRAFT

| | |
|---|----------------------------|
| No. <u>569</u> | St. Louis, Mo. June 12, 19 |
| THE TRADERS NATIONAL BANK | |
| Pay to the order of <u>Emerson Bros.</u> | \$ <u>590.50</u> |
| <u>Five hundred ninety and 50/100</u> | Dollars. |
| to The Seaboard National Bank ·
New York · | <u>J. P. Page</u> CASHIER |

A bank draft, it will be seen, is an order from one bank on another, requesting the payment of a sum of money, unconditionally, to some person, firm, or company named in the body of the draft. Such drafts can be purchased at any bank for a small sum in excess of the amount for which they are written. It is the custom of every bank to keep on deposit a certain amount at some bank in the commercial center nearest to its place of business. For instance, each bank in the northeastern states will have a deposit with some bank in Boston; each bank in the middle west with some bank in Chicago; each bank in the southwest, with some bank in St. Louis; each bank on the Pacific coast, with some bank in San Francisco; and every leading bank in the United States will have a deposit with some bank in New York, since New York is the commercial center of the United States.

In the case of the draft shown in the illustration, let us suppose that Emerson Bros. of St. Louis, Mo., wish to send the Eastman Kodak Co. of Rochester, N.Y., \$590.50, to pay

for an order of goods to be shipped at once. If the Eastman Kodak Co. are not acquainted with Emerson Bros., they would probably hesitate to accept their personal check for so large an amount as \$500.50, and would delay shipment of the goods until they found out whether or not the check was good; therefore, Emerson Bros. make out a check like the following.

St. Louis, June 2, 19__

THE Traders National Bank

Pay to the order of *W. G. Liraft (590.50) Cash. \$ 591.00*

Five hundred ninety-one and no/100 Dollars.

No. 282 *Emerson Bros.*

Emerson Bros. take the above check to the Traders National Bank of St. Louis. The bank will charge a small fee for exchange (in this case 50¢), which is included in Emerson Bros.' check, and will make out a draft similar to the form on page 111. Some business houses have these remittance drafts made payable to the order of the person to whom they are to be sent, but the better way is to have the draft made payable to the order of the sender, who will indorse it over to the order of the person to whom it is sent. When this is done, the draft itself, after it has been presented and paid, becomes a receipt for the amount named in its face. In this case, the draft would be indorsed as shown below. It would be accepted as cash by the Eastman Kodak Co., and they would place it as a deposit

June 2, 19__

Pay to order of
Eastman Kodak Co.
Emerson Bros.

mk
\$ 591.00
Five hundred ninety-one and no/100 Dollars.
J. F. Page CASHIER

in their bank in Rochester. This bank would forward the draft to the bank with which it does business in New York, and the draft would be presented to the Seaboard National Bank of that city, and that bank would pay it and charge the amount to the Traders Bank of St. Louis. The draft would be returned to the Traders Bank as a voucher and would be kept by that bank.

EXERCISES IN JOURNALIZING DRAFTS

In the following exercises it is required that the student write each draft, with such indorsement or acceptance as it should bear, and make his journal and cash book entries on foolscap or journal paper.

If the teacher deems it advisable, he may require the student to make the journal and cash book entries of all parties to these drafts.

JUNE 1, 19—. — Emmons, Hyde & Co., of Chicago, Ill., have agreed to honor your draft at sight for \$600, favor of E. L. Martin, and you draw on them accordingly. (See rule A, page 108.)

JUNE 2. — Draw on Geo. C. Chase, Manchester, N. H., for \$275 at 10 days' sight, in favor of Wm. Darling & Co. (See rule A, page 108.)

JUNE 3. — S. A. Dodge & Co., Millbury, Mass., have accepted your draft, dated June 2, for \$800 at 60 days after date, in favor of yourself. (See rule F, page 110.)

JUNE 4. — Draw on John Reynolds & Co., St. Louis, Mo., for \$250 at sight, in favor of yourself. Deposit the draft in your bank (College Bank; indorse correctly), and receive credit for its face. (For proper cash book entry, see rule F, page 110.)

JUNE 5. — O. H. Waters, Boston, Mass., has accepted your draft, dated June 5, for \$1200 at four months after date, favor of yourself. Have it discounted at the College Bank and the net proceeds placed to your credit.

Prepare a discount slip, treating the draft exactly as you would a four months' note of a similar amount and date.

For the above transaction, some bookkeepers would make a journal entry, debiting *Bills Receivable* (see rule F, page 110) and crediting *O. H. Waters*, after which they would make a cash book entry, debiting *Cash* and crediting *Bills Receivable*; also crediting *Cash* and debiting *Discount* for the discount. But the journal entry is unnecessary, since the bill receivable does not remain in your possession. The better method would be to debit *Cash* for the amount of the draft and credit *O. H. Waters* in the cash book, writing *draft at 4 mos.* in the second wide column of the cash book; then credit *Cash* and debit *Discount*, writing *O. H. Waters dft., 122 ds.* in the second wide column on the credit side of the cash book.

JUNE 6. — Wm. Parsons & Co., Worcester, Mass., have drawn on you at sight through the College Bank, for \$650. You pay it by check on the College Bank, where you have a deposit. (See rule C, page 109.)

JUNE 8. — You receive from T. W. Preston, Toledo, Ohio, a draft dated June 5, drawn on you at 30 days after sight, favor of himself, for \$200. Accept the draft, payable at your office. (See rule E, page 110.)

JUNE 8. — Ward Bros., El Paso, Texas, who owe you on account, send you a sight draft on Thomas Traynor & Co., Buffalo, N.Y., in your favor, for \$300, and you place the draft in the College Bank with your daily deposit, receiving credit for its face. (See rule B, page 108.)

JUNE 9. — Fred Kemble & Co., Concord, N.H., owe you on account, and they send you

a draft at ten days from date, for \$4000, on A. B. Collins, Pittsburg, Pa., to apply on account. Receive it at its face value, and give it to the College Bank for collection. Do not forget to indorse properly. (See rule D, page 100.)

JUNE 10. — You owe Chas. Farnham & Co. \$510 on account, and you give them a sight draft on H. A. Bowen, Portsmouth, N.H., for the amount.

JUNE 11. — You owe O. D. Byron \$240 on account, and in payment you give him a draft on C. P. Larcum, Syracuse, N.Y., at 10 days after date for this amount.

JUNE 12. — Geo. Farrish & Co., who are indebted to you, indorse over to you a draft drawn by them, in their favor, on Amos Martin, Philadelphia, Pa., for \$485, dated June 1, at four months from date, and accepted by Martin. You receive the draft and give Farrish & Co. credit for its face, less bank discount at 6% for the unexpired time. (Find the due date of the draft, and discount it for the time between June 12 and the due date.)

JUNE 13. — You have in your possession a draft drawn by yourself, June 4, on J. C. Dennis & Co., Brooklyn, for \$615, at 90 days from date, and accepted by J. C. Dennis & Co. You give this acceptance to J. L. Osborn & Co. on account, indorsing it properly, and they allow you its face, less bank discount at 6% for the unexpired time. (Find due date and discount for unexpired time.)

JUNE 13. — You have the acceptance of S. A. Dodge & Co., dated June 2, discounted at the College Bank, and the net proceeds placed to your credit.

Hand the journal sheet containing the journal and cash book entries for the above transactions, and the drafts which you have written, to your teacher for examination. Be sure you understand each transaction before proceeding.

WHOLESALE GROCERY BUSINESS—JUNE

H. F. Adams is desirous of adding a line of standard groceries to his tea, coffee, and spice business, and has admitted you as an equal partner. Mr. Adams is to do all the buying for the new firm and also to spend a part of his time as traveling, or outside, salesman, while you are to take full charge of the books and attend to the payment of bills, write all notes, checks, drafts, and other negotiable paper of the firm, and attend to the management of the store.

Books Kept.—In this month's work you will use, in addition to the books already in use, the invoice book and bill book.

The Bill Book contains a list and a brief description of all notes which come into the business or which are given by the business. When notes are received or given, the information called for should be written under the proper headings, as shown in the bill book (see model, page 116). This model contains the proper entries for all notes received and given during the month of May.

N.B.—You may copy the entries found in the model bill book into your bill book exactly as they appear in the model. Your bill book will then show all notes on hand and outstanding at the beginning of the month of June.

The Invoice Book is generally made up of the original invoices, which are pasted in the book as shown in the model on page 117, the amount of each invoice being carried into the money column of the invoice book, as shown in the model. When bills are received, after they have been O. K'd, paste them in your invoice book, taking care that the right-hand edges of the bills do not extend into the money column of the invoice book.

A good plan to pursue in this work is to lay the invoices in the invoice book as you receive them, until you have accumulated from four to six bills. Then ask your teacher to show you how to paste them in the book. In actual business, the bills are usually pasted in the invoice book at the end of each day.

It will be seen that the money column of the invoice book should contain the amount of all merchandise bought by the business, and therefore the footing of this money column should be the debit of the Merchandise account. It will no longer be necessary to enter merchandise purchases in the journal, but at the end of the month, or at such periods as may be desired, the total footing of the money column of the invoice book should be carried to the debit side of the Merchandise account; postmark by writing the page number of the invoice book in the folio column of the ledger, and the ledger page of the Merchandise account in the folio column opposite the footing in the invoice book. The amount of each bill should be posted directly from the invoice book to the credit of each person or firm from whom the merchandise is purchased, and the page of the account in the ledger should be written on the invoice itself, as shown in the model on page 117.

Grouping Invoices in the Invoice Book.—It is customary in some houses to file the invoices until the end of the month. Then they are pasted in the invoice book, but all invoices of any one firm are placed together and only the total amount posted to the firm's account in the ledger. Where this plan is practicable, considerable labor is saved in posting, and the accounts in the ledger are considerably condensed.

FORM OF ARTICLES OF COPARTNERSHIP

A. 1911. — F. CORA. IN. 1911. made the first day of June, one thousand nine hundred and . . . , between J. B. Lamson, of Manchester, N.H., of the first part, and Frank W. Garland, of Boston, Mass., of the second part, witnesseth as follows:

The parties hereto, having mutual confidence in each other, do this day form with each other a copartnership under the firm name of J. B. Lamson & Co., for the purpose of conducting a wholesale business in tea, coffee, spices, and general groceries, at 241 Chestnut St., Manchester, N.H., under the following terms and conditions, to wit:

First. That the said J. B. Lamson of the first part shall contribute the entire resources of his late business located at 241 Chestnut St., Manchester, N.H., as shown by his financial statement prepared May 31, 1900, less the liabilities, as shown by that statement, which liabilities are to be paid by the firm of J. B. Lamson & Co. The total net investment of J. B. Lamson, as shown by these statements, is \$7245.

Second. The said Frank W. Garland of the second part shall contribute cash to the amount of \$7245.

Third. The capital so formed is to be used and enjoyed in common between them for the prosecution and management of said business, to their mutual benefit and advantage.

Fourth. Both parties shall devote their entire time to the business, and shall share gains and assets equally, and bear losses equally. J. B. Lamson is entitled to draw a salary of \$125 per month, and Frank W. Garland is entitled to draw a salary of \$100 per month from the funds of the business.

Fifth. The said J. B. Lamson hereby guarantees that all notes and personal accounts due J. B. Lamson, and invested by him in the firm of J. B. Lamson & Co., shall be worth their face value, less any regular trade discounts to which they may be entitled.

In Witness Whereof, the parties hereto have hereto set their hands and seals, in duplicate, the day and year first above written.

J. B. LAMSON. [L. S.]
FRANK W. GARLAND. [L. S.]

*Signed, sealed, and delivered)
in the presence of)
F. W. EARL.*

TRANSACTIONS

No. 67. — JUNE 1, 19—. H. F. Adams and you have agreed to form a partnership, to carry on a wholesale grocery business as a continuation of Mr. Adams's tea, coffee, and spice business. You are to invest a cash sum equal to the present worth of Mr. Adams at the close of May. The gains and losses of the business are to be shared equally. Each partner is to give his full time to the business, and H. F. Adams is to draw a salary of \$125 per month and you a salary of \$100 per month. The firm name is to be H. F. Adams & Co.

Prepare articles of copartnership between the two partners, yourself and H. F. Adams (see model above). For amount of each one's investment, see H. F. Adams's present worth, financial statement May 31. Present this copy to your teacher for approval, and make such changes as he may suggest. Copy carefully, in ink, on legal cap, the corrected articles of copartnership and present to your teacher, who will sign for H. F. Adams. Sign your own name below that of H. F. Adams, and affix seals. Ask some one to sign as witness in the left-hand corner opposite the names of yourself and H. F. Adams.

In business a lawyer experienced in partnership affairs should prepare these articles of copartnership. Two copies should be made, one for each partner.

Fold the articles of copartnership twice from bottom to top, and brief them by writing on the back of the left-hand end, at the top, the following: *Articles of Copartnership between H. F. Adams and (Student's name), June 1, 19— (current year).*

Fill the blanks in the bill of sale (No. 67), attach a copy of the May financial statement, and put it in your Voucher File. In your Cash Drawer is A. W. McKey's note. Indorse it *Pay to the order of H. F. Adams & Co.*, and sign the name *H. F. Adams*. Write a check in favor of H. F. Adams & Co. for the amount of H. F. Adams's balance in Commercial Bank, as shown by the stub of your check book; sign it as you signed checks in May. The transactions described in this paragraph are necessary to transfer the property of the business of H. F. Adams to the new firm H. F. Adams & Co. Make no book entry for them, because you are going to treat the June business as a continuation of the May business, instead of opening a new set of books.

Make your investment in the business by check No. 67 on your own private account in the Bank of Monroe. Detach the check from the voucher pad and fill it out for the proper amount. Sign your own name to it. Enter the amount in the cash book on the first line below the balance for June 1, crediting yourself for investment.

Deposit Adams's check and your own check. Be sure to enter this deposit on your check book stub so that your check book will show the correct balance in bank. How will you indorse these checks?

N. B. You should no longer sign or indorse checks and other papers with your name as attorney, for you are now a member of the firm of H. F. Adams & Co., and have the same right to sign checks and other papers that Mr. Adams has; but, in order that your teacher may be able to identify your work readily, write *By* and your own name under that of H. F. Adams & Co. on all paper you may have occasion to indorse or sign.

No. 68.—JUNE 1. Write a cash check on the Commercial Bank (see form below) for \$200, get the cash for it, and put the money in your Cash Drawer. Such a check requires no indorsement.

| | |
|------------------------------------|---|
| <i>St Louis, Mo. June 15, 19__</i> | |
| ALLIANCE BANK | |
| Pay to the
order of <i>Cash</i> | <i>\$ 200.00</i>
<i>Two hundred</i>
<i>and no/100</i>
<i>Dollars</i> |
| <i>No 714</i> | <i>John P. Smith</i> |

No. 69.—JUNE 1. Pay this bill for stationery.

Write a check for the amount and place the receipted bill in your Voucher File. Place the check in Cash Paid Out. Make the proper entry in your cash book.

No. 70.—JUNE 3. Bought merchandise of the City Mills Company.

Examine the invoice and see that the multiplications and addition are correct. Mr. Adams's "O.K." applies only to the terms, quantity of goods, and prices. If you find any

error, ask your teacher (representing City Mills Company) what to do. If you find the invoice correct, O.K. it, paste the invoice in your invoice book, and write the amount of the invoice in the money column of the invoice book (see model, p. 117). No journal entry is required for this transaction, for, as explained on p. 115, postings are made directly from the invoice book.

No. 71. JUNE 3. Bought merchandise of Reynolds, Davis & Co. This transaction should be treated in the same manner as No. 70.

No. 72. JUNE 4. You now take out a policy of insurance on your stock of merchandise for \$ 3000 at 1 % premium.

Write a check for the amount of the premium. Place it in your Cash Paid Out envelope. Place the policy in your Voucher File, and make the proper cash book entry (see transaction No. 30, page 86).

No. 73. JUNE 4. You have outstanding a note in favor of L. Hennes & Co., for \$ 1505, which is due 60 days after date, May 2. This note will not fall due until July 1, but as you have money in the bank which you do not need to use in your business at present, you may pay it now. It is the custom in business to allow discount for the unexpired time on all notes paid before due, and L. Hennes & Co. have agreed to allow bank discount at the rate of 6 % per annum.

Calculate the discount on the amount of this note for the time which it still has to run (from June 4 to July 1 = 27 days). Subtract the discount, \$x.xx, from the amount of the note, and write a check for the balance. Place the check in Cash Paid Out. Receive the note from L. Hennes & Co. by taking it from your Bills Payable File; write *Paid, June 4, 19—*, across its face, and ask the teacher to sign the name *L. Hennes & Co.*; and place the note in your Voucher File.

This transaction calls for two cash book entries. Credit *Cash* for the full amount of the note, and debit *Cash* for the amount of the discount. In your bill book under "When and how disposed of" write 1505 in the amount column, *June 4* in the date column, and *Dis.* and the amount of the discount in the explanation column.

Rule 23. *Discount is credited when discount is allowed to the business on a note or draft; for then it saves or produces value for the business.*

FORM OF NOTIFICATION OF DRAFT

Rome, N. Y., June 1, 19—.

Messrs. White, Smith & Perry,

262 Brown St.,

Providence, R. I.

Gentlemen,—

We have this day drawn upon you at sight, in favor of A. V. Jackson & Co., for \$225. Please honor the draft.

Yours truly,

Williams & Raymond.

No. 74. — JUNE 5. Draw at sight on Rice & Pond, of Georgetown, for \$265, in favor of E. Westen Tea & Spice Co., and send the draft to balance your account with the latter firm.

Write the draft, following the model on page 107. Inclose it with a letter properly addressed to E. Westen Tea & Spice Co., advising them of the remittance. Write a letter to Rice & Pond, notifying them that you have drawn on them at sight for \$265, and request them to honor the draft (see model, page 120). Referring to Rule A, page 108, make your journal entry. Place both letters in Vouchers for Others.

No. 75. — JUNE 5. F. C. Tenney has agreed to honor your draft at sight for \$90. Draw on him in favor of C. K. Fox.

This transaction is similar to No. 74. Proceed in the same way. Why do you debit *C. K. Fox*? Why do you credit *F. C. Tenney*?

No. 76. — JUNE 5. On A. W. McKey's order of goods you will allow 1% discount in consideration of McKey's accepting a draft at 30 days from the date of the sale.

Make a bill, checking off each item on the salesman's order. Enter the sale in your sales book for the full amount and place the bill in your Vouchers for Others.

Using the forms on pages 100, 111, as models, draw a draft at 30 days for the amount of the bill, less 1%. Do not write *Accepted* across the face, but take the draft to your teacher, who will accept it for Mr. McKey by writing *Accepted*, with the name *A. W. McKey*, across the face of the draft. When he has done so, enter the accepted draft in your bill book, after which place it in your Cash Drawer.

This transaction requires a journal entry of two debits and one credit. (See rule F, page 110, and rule 20, page 79.) Submit entry to teacher before placing it in your journal.

No. 77. — JUNE 6. Mr. Adams sends in this order from F. C. Tenney. This transaction is like No. 76, except that you allow a discount of 3% for payment by a ten-day acceptance.

Make out a bill and verify your calculations. Draw a ten-day draft on F. C. Tenney for the amount of the bill, less 3%, get it accepted, and make proper entries.

No. 78. — JUNE 6. Bought merchandise of West, Stone & Co. Mr. Adams has agreed to accept a draft at 10 days, and the draft ready for acceptance accompanies the invoice.

See that the invoice is correctly made, and if the amount is correct, write across the face of the draft, in red ink, *Accepted, payable at Commercial Bank, H. F. Adams & Co. by*, and your own name. Return the draft thus accepted to West, Stone & Co. (by placing it in your Bills Payable File), after you have entered it in your bill book.

Paste the invoice in your invoice book, and enter the full amount in the money column (at the proper time you will post it from this book to the credit of *West, Stone & Co.*, and will include it in the amount posted to the debit of *Merchandise*).

Make a journal entry for the draft and the 3% discount allowed. (See rule 16, page 29, and rule 19, page 78.)

No. 79. — JUNE 7. This order from A. A. Knowles & Co. comes in with a check for \$600 to apply on account.

Make bill, verify your calculations, and enter in the sales book. Place the check in your cash drawer and make the proper entry in your cash book.

No. 80. — JUNE 7. Deposit in your bank the check received from A. A. Knowles & Co., and have the two acceptances received June 5 and 6 discounted and the net proceeds placed to your credit. Also leave for collection the note of A. W. McKey, which is due June 10.

See that your note and acceptances, as well as the check, are properly indorsed.

Make out a separate discount slip for each of the acceptances. Make cash book entries and enter the acceptances in the bill book under "When and how disposed of," on the same line with the original entries, writing the face of each in the amount column, and *Dis.* and the amount of the discount in the space for "Remarks." Your bank pass book should show a separate entry for each acceptance. Do not forget to enter the net proceeds of the two acceptances and the deposit separately on the stub of your check book.

Make no entry in your journal or cash book for the note left for collection, but in the "Remarks" column of the bill book, write *For coll. Coml. Bank, June 7, 19—*. This note should be entered on the last page of your bank pass book under the heading *Collections*. (If you have no bank, write the heading *Collections* at the top of the last page, and below it, in proper columns, *19—, June 7, Note A. W. McKay, 700.*) You will be notified when the note is paid, and the amount will then be placed to your credit in the pass book the same as a deposit.

Some banks give a receipt for notes and other paper left for collection, instead of entering them in the back part of the pass book. Others enter all such paper in the regular place in the pass book, short extending the amount (that is, writing the amount in the explanation column and not in the money column). Then after the collection has been made, the amount is entered in the regular money column by the bank bookkeeper.

No. 81. — JUNE 7. EIGHTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do not balance the cash book at this point, but if your cash book pages are nearly filled, rule and foot them in red, writing the word *Ford*, on the line with the footings on both pages; and transfer the footings to the following pages, in black ink, with the explanation *Brot. Ford*. See page 83 for these forms.

No. 82. — JUNE 8. Pay City Mills Co. for bill of June 1, deducting a discount of 3%.

Calculate the discount and make out a check for the balance. Write a letter to go with the check, inclose them in an envelope properly addressed, and place in Vouchers for Others. Be sure to make proper entries in the cash book and on the check stub.

No. 83. — JUNE 8. Purchased merchandise of City Mills Co.

Verify the invoice and paste it in your invoice book. What should you do if you find an error in it?

No. 84. — JUNE 10. Pay invoice of Reynolds, Davis & Co. by check, less discount.

No. 85. — JUNE 10. Fill E. Mason & Co.'s order, making an invoice and bill of lading as usual; draw a draft as requested; enter the draft in your bill book; and leave the draft at your bank for collection, having it recorded under *Collections* in your bank pass book.

This draft, when accepted, will become a bill receivable. If you should send the draft to Mason & Co. for acceptance, you would make no entry at the time, in either bill book or journal, but would await its return from them. Instead of doing this you have placed the draft in the bank for collection, which is the ordinary method of handling such paper. As Mason & Co. have agreed to accept it, you may debit *Bills Receivable* and credit them.

No. 86. — JUNE 11. This order for Fletcher Bros. has been handed in by Mr. Adams.

Make a bill, and do not forget to check off the items. Be sure your calculations are right. Charge Fletcher Bros. in the sales book with the full amount of the bill.

No. 87. — JUNE 12. This check has been received in payment of merchandise delivered yesterday to Fletcher Bros., less 3% cash discount. Credit them on the debit side of cash book for the full amount of the bill, as shown in your sales book. Debit *Merchandise Discount* on credit side of cash book for the amount of the discount.

No. 88.—JUNE 12. This bill is for freight and drayage on all goods received up to date. Pay it in cash.

Place the proper amount of cash in your Cash Paid Out envelope, and place the receipted bill in your Voucher File.

No. 89.—JUNE 12. On May 5th H. F. Adams borrowed from the bank \$5000, to pay for the building and lot, No. 246 Main St., giving a four months' note for the amount. As you now have several thousand dollars in the bank, for which there is no immediate use, you have decided to pay this note, as discount will be allowed for the unexpired time. The note has 85 days to run, and the discount on \$5000 for 85 days is \$7x.x3.

Make a check for \$49xx.x7, take it to the bank teller, and receive the canceled note.

If no bank is used in connection with these transactions, the note will be found in Bills Payable File. Take it from the file, write *Paid, June 12, 19—*, across the face of the note and ask the teacher to sign for the bank. Place the check in Cash Paid Out, instead of giving it to the bank teller, and place the note in your Voucher File.

Make proper entries in your cash book and bill book. In the bill book, under "When and how disposed of," on the same line with the original entry of the note, enter the face of the note in the amount column, and write *Dis.* and the amount of the discount under "Remarks."

No. 90.—JUNE 12. This order from F. H. Randall & Co. comes in with a check for \$500 to apply on account. Make the bill and enter in the sales book. Credit *F. H. Randall & Co.* in the cash book for the amount of the check.

No. 91.—JUNE 13. This invoice has been purchased from Reynolds, Davis & Co. Verify the calculations and paste the invoice in the invoice book.

No. 92.—JUNE 13. Take from your Cash Drawer \$100 in currency, and also the checks of Fletcher Bros. and F. H. Randall & Co. Deposit these in the bank, and ask the teller if the interest-bearing note of A. W. McKey, dated May 31, and left by you for collection, has been paid. It has been paid. Therefore, ask him for the proper credit in the bank pass book.

On a slip of paper calculate the interest on this note for 10 days, and add the amount of the interest to the face of the note. This is the amount which should be placed to your credit in the bank pass book. If your interest calculation is correct, the bank clerk will give you credit for the amount of the note, which is its face plus the interest. (If no bank is used, enter the amount yourself.) Add this amount to your bank balance on the stub of your check book, and also add the amount of the deposit slip.

You have received \$701.17 in cash. Of this amount \$700 is for bills receivable, the amount of A. W. McKey's note; therefore, *Bills Receivable* should be credited for \$700 in the cash book, with the explanation, *A. W. McKey's note 5/31*. The remaining \$1.17 has been received for interest, and therefore *Interest* should be credited in the cash book for that amount, with the explanation, *on above note*. Make proper entry in the bill book.

Rule 24.—*INTEREST is credited when interest is allowed to the business by others; for then it produces value for the business.*

No. 93.—JUNE 13. Your acceptance of June 3 is due to-day, and as it was made payable at the bank, it should be charged to your account.

Take this acceptance from the Bills Payable File, and present it to the bank teller, requesting him to charge it to your account. (In business the draft would be presented by West, Stone & Co.'s bank.) He will keep the draft and return it to you canceled, together

with the paid checks, when your bank book is written up. If you have no bank, write *Paid, June 17, 19—*, across the face of the draft, and enter it on the credit side of your bank pass book, placing the canceled draft in your Voucher File.

Make an entry in your cash book, to show that the acceptance has been paid. What account should be debited? Why? In your check book on the stub deduct this amount, \$1111.62, from the amount on deposit, as shown by the balance of the stub. Why should this be done?

Some banks would require a check in favor of the bank for the amount of the acceptance and would deliver the paper at once.

No. 94. — JUNE 14. This order for Rice & Pond has been sent in by Mr. Adams, who is on an out-of-town trip. Desiring to take advantage of the discount, Rice & Pond have given him their note at four months, with interest, for \$1000, to pay the balance of their old account and to apply on this order. They agree to accept a sight draft for the balance of the order, whatever it may be, or will send check on receipt of bill.

Deduct 3% on the face of the invoice, but enter the full amount in the sales book. Make proper entry for the discount and note in the journal. Also enter the note in the bill book. Do not draw at sight for the balance, as the amount is small, but allow it to remain on account.

No. 95. — JUNE 14. This order from Thos. Varick & Co. is sent in by Mr. Adams, who vouches for the financial standing of the firm. They ask regular ten-day cash discount, and agree to honor a sight draft in ten days.

Make out the invoice and bill of lading as usual, and draw a sight draft for the amount of the invoice less 3%, dating it ten days ahead, or June 24. Write a letter to accompany the bill, informing Varick & Co. that you will draw on them in ten days for the amount of the bill less 3%. Inclose invoice, letter, and bill of lading in an envelope properly addressed. Put the draft in your Cash Drawer after pinning to it a memorandum of the cash book entries to be made when the draft is disposed of — namely, *Cash Dr.* and *Thos. Varick & Co. Cr.* for the gross amount of invoice, and *Cash Cr.* and *Misc. Discount Dr.* for the discount. On June 24, or two or three days before, you will place the draft in bank for collection, or deposit it. You will be reminded when to do this.

No. 96. — JUNE 14. Pay your invoice of June 5, City Mills Co., \$1266, less 3% discount. Calculate the discount, which will be \$38.88. Write a check for the amount due. Inclose the check with a letter, advising them of the remittance, in a properly addressed envelope, and place in Vouchers for Others. Make the proper entries for the transaction.

No. 97. — JUNE 15. This purchase has been made from Smith, Perkins & Co., and you get 3% discount in consideration for giving an interest-bearing note.

Write a note at 15 days, with interest, for the amount of the invoice less 3%. Make proper entries. Place the note in Bills Payable File.

No. 98. — JUNE 15. SHIPMENTS. This letter suggests a shipment of merchandise to another person, to be sold on commission; such transactions are not at all uncommon in business. When, for any reason, goods are not selling well in any particular locality, it is often good policy to send them to a commission merchant in some place where there is likely to be a better demand for them. The commission merchant sells the goods, and after taking a certain per cent for commission, and deducting other charges, sends the balance to the person who shipped the goods. A quantity of goods shipped to be sold on commission is designated as a "shipment." The shipment is entered in the sales book under the title

"*Shipment to* (the name of the commission merchant)." The shipment is charged for the regular cost price of the merchandise, and if any charges have been paid, the shipment is also debited for these in the cash book.

An account is opened in the ledger with each shipment. If two or more shipments are sent to the same firm, separate accounts are opened with *Shipment* (firm name) *No. 1*, *Shipment* (firm name) *No. 2*, and so on.

Send Thos. W. Bowen & Co., Dover, a trial shipment of 50 barrels Northern Star and 25 barrels Searchlight. Fill out a shipment invoice found in your business forms, figuring the goods at the latest cost price as shown in your invoice book. Also fill out a bill of lading and inclose both shipment invoice and original bill of lading in an envelope addressed to Thos. W. Bowen & Co. The following form illustrates the proper method of entering the shipment in the sales book.

15

Shipment Invoice.

Chicago, Ill.

| | | | |
|---------------------------------|------------|------------|-------------|
| <i>50 bbls Northern Star</i> | <i>45¢</i> | <i>225</i> | |
| <i>25 " Searchlight "</i> | <i>40¢</i> | <i>100</i> | |
| <i>20 pkts. Ceylon Tea cost</i> | <i>50¢</i> | <i>100</i> | <i>1150</i> |

Rule 25.—SHIPMENTS are debited for the cost price of the merchandise shipped, and for all advance charges paid upon it.

No. 99.—JUNE 15. Pay your clerks as follows: R. E. Leavitt, \$30; D. J. Allard, \$20. As you have not enough money in your Cash Drawer, make out a cash check for the amount required, \$50. (See transaction No. 68.) Get the cash from the bank and place it in Cash Paid Out. (If there is no bank, present the check to your teacher, who will give you the money.)

No. 100.—JUNE 15. NINTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Although on the report it is desired to show only the amounts of cash received and paid since the last report, the cash book should be pencil footed so as to show the totals of cash received and paid since the last of May, when the cash book was last balanced. Do not rule the cash book again until the end of June.

No. 101.—JUNE 17. Fill D. W. Perry & Co.'s order for the small lot of tea (100 lb.), and on the bill deduct a discount of 3%. Hold the order for the larger lot of goods until you and Mr. Adams are satisfied as to the reliability of the firm.

Make out a C. O. D. envelope and enter the sale in your sales book, as in No. 55, page 94. (The discount will be entered through the cash book when the returns come in.)

No. 102.—JUNE 17. You have received but few orders for Ceylon tea recently, so you have decided, with Mr. Adams, to make a shipment of 20 cases of this tea, closing out your stock. Send it, with 10 mats Java coffee, to Thos. W. Bowen & Co., of Dover, to be sold on commission. Pay freight in advance, \$3.60, in currency.

Enter the shipment in your sales book (*Shipment Thos. W. Bowen & Co. No. 2*), and make the proper entry in your cash book for the \$3.60 paid as freight. What account should be debited for this amount? Why? (See No. 98.)

No. 103. — JUNE 17. This purchase of merchandise has been made from Geo. C. Buell & Co. Paste the invoice in your invoice book after verifying the calculations.

No. 104. — JUNE 18. Write a check for the amount due Shields Bros., and send it to them with a letter. Make the proper entry.

No. 105. JUNE 18. This draft has been drawn on you by L. Hennes & Co., and is the amount due for bill of May 24. Accept the draft, and return it to L. Hennes & Co. (by placing it in your Bills Payable File). Why should you write the date in your acceptance? What account should be debited? Why? (See transaction No. 78, page 121.)

No. 106. — JUNE 19. The references given by D. W. Perry & Co. prove satisfactory; fill the main part of their order of June 15 (No. 101); make the terms 4 mos., 3/10.

No. 107. JUNE 19. These two express money orders are a return of C. O. D. sent June 17. The express company has retained 50¢ for return charges. Make the proper entries in cash book (see No. 58, page 94).

No. 108. JUNE 19. Take from your Cash Drawer the note of Rice & Pond received June 14th, and have it discounted and the net proceeds placed to your credit.

This is a four months' interest-bearing note; therefore, on a discount memorandum, write the amount of interest which will be due Oct. 12, on which date the note is payable, and add the interest to the face of the note. The interest on \$1000 for four months is \$20. From June 19 to Oct. 12, the due date of the note, is 115 days. Calculate the discount on \$1020, the amount due Oct. 12, for 115 days, subtract this amount from \$1020, and you will have the amount to be placed to your credit in your bank pass book and on the stub of your check book.

In the cash book debit *Cash* for the note, \$1000, and also for the interest, \$20. What account should be credited for the \$1000? Why? What account should be credited for the \$20 interest? Why?

On the credit side of your cash book you should enter the amount of discount you have allowed the bank, which is \$19.55. Make proper entry on your check book stub.

No. 109. — JUNE 19. F. H. Randall & Co. have ordered goods and sent you a check sufficient to pay the balance of their bill of June 12, and part of the merchandise ordered in their letter accompanying the check. Allow them 3% discount on as much of the goods as this check will pay for.

At 3% discount, 97¢ will pay for \$1.00 worth of goods as invoiced at their regular price, therefore it is evident that \$600 will pay for as many dollars' worth as 97¢ is contained in \$600. $\$600 \div .97 = \618.56 , and *F. H. Randall & Co.* should be credited for this amount. Enter \$618.56 on the debit side of your cash book, and on the credit side enter \$18.56, the amount of merchandise discount allowed *F. H. Randall & Co.* Enter the sale as usual in the sales book.

No. 110. JUNE 20. This account sales has been received from Thos. W. Bowen & Co., together with a check for the net proceeds. It is the amount you have received for the shipment made June 15, and shows you how much Bowen & Co. received for the goods, also the amount they paid for freight and their commission. What account should be debited? What has produced value to the business in this case?

Rule 26. — *SHIPMENTS are credited with the net proceeds shown on the account sales received from the person to whom the shipment was sent.*

Place the check in your Cash Drawer, and the account sales in your Voucher File.

No. 111. — JUNE 20. Take from your Cash Drawer and indorse properly the express money orders received June 19; also the checks of F. H. Randall & Co. and Thos. W. Bowen & Co. Enter the amounts on a deposit ticket, and take it with the checks, orders, and your bank pass book to the bank. Make the proper entry on your check book stub.

No. 112. — JUNE 20. Purchase of merchandise on account from Shields Bros.

No. 113. — JUNE 20. Pay Reynolds, Davis & Co.'s invoice of June 10, less 2%, by check.

No. 114. — JUNE 21. This bill from City Carting Co. is for freight and cartage to date. Write a check for the amount, and place it in Cash Paid Out. What do you do with the receipted bill? What account should be debited for this amount in your cash book?

No. 115. — JUNE 21. Mr. Adams has purchased this invoice from E. Westen Tea & Spice Co. and has agreed to accept a draft at 30 days for \$800, the balance to be paid in four months. Accept the draft which accompanies the invoice, and place it in Bills Payable File. Why is it unnecessary to write the date in your acceptance? Make the proper entries.

No. 116. — JUNE 21. Bought merchandise of West, Stone & Co. Enter as usual.

No. 117. — JUNE 22. Mr. West, of West, Stone & Co., has called upon you, soliciting orders, and being short of money has agreed to allow you 2% discount on the invoice of May 20, which is not due until July 19, if you will accept a ten-day draft. You agree to this proposition, and accept a draft for the amount, less 2%. Submit your journal entry to your teacher for approval before writing it in the journal.

No. 118. — JUNE 22. Smith, Perkins & Co. have decided to retire from business, and have offered Mr. Adams a trade discount of $12\frac{1}{2}\%$ from regular market quotations for such goods as he can use from stock. This invoice has been selected on the terms indicated.

Write the check and note, and make proper entries in cash book, journal, and bill book. (If in doubt, show entries to your teacher before writing them in the books.) Place the check in Cash Paid Out and the note in Bills Payable File.

A trade or commercial discount is an allowance deducted from the catalogue or list price of goods in order to meet the current market quotations or to encourage or effect a sale. It is deducted on the invoice, to show the net price really asked for the goods, and this net price is the one extended to the money column of the invoice book or sales book, to be carried to merchandise account; for no Trade Discount account is kept in the books.

Merchandise Discount account includes only such allowances as are offered for the purpose of securing prompt payment; these allowances are commonly called cash discounts. A cash discount is always allowed *on condition* of prompt payment; if the purchaser does not pay within the given time, he becomes liable for the gross amount. But a trade discount is allowed without conditions; the purchaser does not become liable for the gross amount in any case.

No. 119. — JUNE 24. Take the sight draft on Thos. Varick & Co. from your Cash Drawer, detach memorandum, and enter the draft on a deposit ticket. Take this ticket and the draft, with your bank pass book, to the bank, and ask the teller to enter the draft to your credit. You drew this draft at the time of sale, but made no entry. What account should be debited, now that you have received credit for the draft at your bank?

It is the custom of most banks to place sight drafts to the credit of responsible depositors, when requested, the same as checks. If not paid, the depositor is notified, whereupon he gives the bank his check for the amount, and takes the draft back.

No. 120. — JUNE 24. TENTH REPORT. Make out your report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher. Do the pencil footings of your cash book show the total cash received and paid since the last of May?

No. 121. — JUNE 24. This account sales has been received from Thos. W. Bowen & Co., who have placed the net proceeds to your credit subject to your sight draft. What account should be debited for this amount? Why? What account should be credited? Why? Where should you keep the account sales?

No. 122. — JUNE 24. Fill this order from Fletcher Bros. as requested. Allow a merchandise discount of $3\frac{1}{2}\%$; and draw a draft at 30 days on them for the net amount of the bill, with 30 days' interest at 6% added. (Adding 6% interest to the net amount of the bill will give you in 30 days the same amount as if they had paid you cash and you had placed it on interest for that time.)

Take the draft to your teacher, who will accept it for Fletcher Bros. if the amount is correct. Enter the sale in the sales book for the full amount of the invoice; and make journal entry for draft, interest, and merchandise discount. Submit to your teacher before entering.

No. 123. — JUNE 24. The draft on E. Mason & Co., at 10 days, left for collection June 10th, has been paid. Have the bank teller enter the amount in your bank pass book. (If you have no bank, enter it yourself.) Make the proper entry in your cash book, and do not fail to add the amount to the balance shown on the stub of your check book.

No. 124. — JUNE 24. Draw a draft at sight on Thos. W. Bowen & Co. for the net proceeds of shipment No. 2, as shown by account sales of June 22. Enter the amount of this draft on a deposit slip and take it to the bank with your bank pass book. Have the teller give you credit for the amount of the draft (see No. 119). Make proper entries.

No. 125. — JUNE 24. Fill this order from Thos. Varick & Co. Do not forget bill of lading.

No. 126. — JUNE 25. This order from D. W. Perry & Co. is sent in by Mr. Adams, with a check for \$500 to apply on invoice of the 10th. Allow $3\frac{1}{2}\%$ discount for such part of the bill as this check will pay (see transaction No. 109, page 126).

No. 127. — JUNE 25. This draft was drawn by A. W. McKey on C. H. Brooks & Co. on June 15, and was accepted by C. H. Brooks & Co. McKey hands the acceptance over to you to apply on account, less bank discount at 6% .

The acceptance is not due for 50 days, therefore it is not worth its face, \$500, but the discount on \$500 for 50 days should be deducted from the face of the paper in order to find out what it is really worth to you on June 25. The discount on \$500 for 50 days, this being the time from June 25, the date of discount, to August 14, the date of maturity, 50 days, equals \$4.17. Deducting \$4.17 from \$500 leaves \$495.83, the cash value of the draft June 25. Credit *A. W. McKey* for this amount. What account should be debited for the face of the draft? Why? What account should be credited for \$4.17? Why?

No. 128. — JUNE 25. Ship Thos. W. Bowen & Co. 100 brls. N. S. flour, 100 brls. Searchlight, 20 hf. chests English Breakfast, 24 hf. chests Oolong, 100 doz. C. corn, 100 doz. C. tomatoes, and pay freight in advance by check, \$27. Make proper entries.

No. 129. — JUNE 25. Draw at four months from date, on Varick & Co., in favor of E. Westen Tea & Spice Co., for the amount of the bill of the 24th, \$510.04. Send the draft to E. Westen Tea & Spice Co., to apply on account, less discount for four months at 6% .

The draft is not worth \$510.04 until it becomes due, four months after date, or Oct. 25. The discount for four months will be \$10.20. The net value of the draft at this time, therefore, is \$499.84. Place the draft in Vouchers for Others.

No. 130. — JUNE 26. On the evening of June 25 a fire resulted in the partial destruction of the building, No. 246 Main St., and the total loss of office furniture. The books were saved; also the cash and the contents of the safe. Most of the goods were destroyed. From your books you find that you had on hand the list of goods No. 130. This schedule of goods has been carefully made up from your sales book and invoice book, and is believed to be a correct statement of merchandise on hand at the time of the fire.

Fill out the amounts. Sign your own name after that of Mr. Adams. Then hand the schedule to your teacher, who represents the insurance company, and tell him that you present this as your claim for loss by the fire.

No. 131. — JUNE 26. This offer from Fletcher Bros. requires the consent of the Equitable Insurance Company before it can be accepted, as no adjustment of the loss has been made. Ask your teacher, who represents the insurance company, for permission to accept this offer. He will write *Permission is hereby granted to accept this offer*, across the face of the letter from Fletcher Bros., and you may make out a bill of sale for the entire lot without itemizing.

No. 132. — JUNE 27. Deposit all the checks you have on hand. Pay invoice of Geo. C. Buell & Co., of June 14, less discount, by check.

No. 133. — JUNE 28. Your acceptance of June 18, favor of L. Hennes & Co., is due to-day.

Take this acceptance from Bills Payable File, and proceed exactly as in No. 93.

No. 134. — JUNE 30. This draft is in full payment of claims against the Equitable Insurance Company, which pays you \$5000 on the building and \$3000 on the stock of merchandise. What account should be credited for \$5000? What account for \$3000? Make the proper entries.

No. 135. — JUNE 30. Deposit the New York draft received to-day, and all your cash. Pay your note of June 15 and interest by check. Face of note, \$816.55; interest, 15 days, \$2.xx. The check is for \$818.xx. What account is debited for \$816.55? What account is debited for \$2.xx?

Rule 27. — *INTEREST is debited when interest is allowed by the business to other persons; for then it costs the business value.*

No. 136. — JUNE 30. In the journal credit yourself \$100 and H. F. Adams \$125 for the amount due for salaries for the month of June. What account should be debited for \$225?

No. 137. — JUNE 30. Draw a cash check for \$50, and pay H. F. Leavitt \$30 and D. J. Allard \$20, salaries due to date.

No. 138. — JUNE 30. H. F. Adams hands in a bill of \$87.50 for traveling expenses incurred while on the road during the month of June, which he has paid from his own funds. What account should be debited for this amount? What account should be credited?

No. 139. — JUNE 30. Pay freight and cartage bill to date by check.

No. 140. — JUNE 30. ELEVENTH REPORT. Make a report and hand it, with Vouchers for Others and Cash Paid Out, to your teacher.

If your report is O. K., balance and rule your cash book as at the end of May, dropping the balance to the debit side and placing the amount in the right-hand money column.

Leave your pass book at the bank to be written up. As soon as it is returned to you, compare it and the canceled checks with the stub of your check book in the manner described on page 66.

Business Statement

| | | |
|-----------------------------------|------|--------|
| Merchandise on hand at end of May | 22- | |
| " purchased during June | 100- | 120 |
| | | 90 |
| Goods brought forward | | 100 |
| Light, power, etc., cost | 50- | |
| " " " " net proceeds | 50- | 15 |
| Real Estate value at end of May | 2000 | |
| " " " " " " " " " " | | |
| " " " " " " " " " " | | |
| " " " " " " " " " " | | |
| Expenses | | 22- |
| Office fixtures destroyed by fire | | 1000 |
| | | 107200 |

POSTING, ETC.

Post your entries from journal, cash book, invoice book, and sales book. For instructions in regard to the posting of the invoice book, see page 115. Check back your postings according to instructions on page 25. Make out your monthly statement to each customer and take a trial balance.

Verify the bill book by comparing it with the Bills Receivable and Bills Payable accounts in the ledger. The footing of the left-hand money column of the bills receivable book should agree with the total debit of Bills Receivable account. The footing of the right-hand money column must equal the total to the credit of Bills Receivable account.

In comparing the bills payable book, the left-hand money column must tally with the credit side of Bills Payable account in the ledger, and the right-hand money column of the bills payable record must agree with the debit side of the Bills Payable account.

Consequently the difference between the money columns of the bill book must be the same as the balance of these accounts in the ledger.

How to Make the Business Statement. - Using the above form as a model, prepare a statement of the gains and losses of the month just closed. The names of the accounts used in the model are those of your June accounts, but the amounts are different, and are used only to show you the exact form of a complete statement.

The *Merchandise on hand* at the beginning of June, and the cost of *Merchandise purchased* during the month, will be found on the debit side of the Merchandise account in the ledger. The *sales of Merchandise* during the month of June will be found on the

ment. June 30, 19—

Merch. sales during the month of
June

7610

9100

Ship't. Bowen & Co. #1 net proceeds

545

" " " " cost

750

95

Merch. Disc't. excess of credits

65

Interest

" " "

750

Discount

" " "

12

257250

credit side of the Merchandise account in the ledger. This amount includes the amount received for insurance. Find the loss, and close the first section of your business statement, bringing down the loss in the second section. Find the *cost of Shipment to Thos. W. Bowen & Co. No. 2*, from the debit side of that account in the ledger; find the *net proceeds* from the credit side. Find the *value of Real Estate* at the end of May from the financial statement of May 31. The *lot* on which your building stood is estimated to be worth \$6000. The amount *received for insurance* is shown on the credit side of Real Estate account in your ledger. The amounts of *Expense* and *Office Fixtures* will be found on the debit side of those accounts in the ledger. *Net proceeds of Shipment to Thos. W. Bowen & Co. No. 1* will be found on the credit side of that account in the ledger; the *cost* on the debit side. The excess of *Merchandise Discount* will be found by taking the balance of that account, as shown in your trial balance, and the same is true of *Interest* and *Discount*. Write the net loss in red ink, and close the business statement.

How to Make the Financial Statement.—Using the form on the following pages as a model, prepare a financial statement for the month of June. The names used in the model are those of your accounts for the month of June, but the amounts are different, and are used merely to give you a complete form.

Cash in bank will be the amount of cash shown in your trial balance; also on the stub of your check book. *Real Estate* will be shown by your inventory at the end of June, \$6000. The ledger valuation of *Shipment to Thos. W. Bowen & Co. No. 3* will be shown by the trial

Trial Balance

| | |
|-----------------------------------|-------|
| Cash in bank | 5547 |
| Property as under: | |
| Real Estate inventory valuation | 400 |
| Shipt. Bowen & Co.'s Sdg. val. | 600 |
| sundry trade debtors as under: | |
| Bills Receivables and acceptances | 3660 |
| Open-book accts, considered good | 8000 |
| | 18357 |

balance. The amount of *Bills Receivable* will be the balance of that account, as shown in your trial balance. *Open book accounts considered good* will comprise the eight personal accounts having a debit balance, as shown in your trial balance. The amount of *Bills Payable* will be the balance of that account, as shown in your trial balance. *Open book accounts* will comprise the balances due the four firms which you owe on account.

Close all accounts in your ledger showing losses or gains; also the **Loss & Gain** account, and the partners' accounts.

No. 141. — JUNE 30. It has been decided to discontinue the business. You take as a part of your net worth the amount of the shipment to T. W. Bowen & Co. No. 3, at its ledger valuation, \$1055, and receive a check for the balance. Make out the check, and enter in the cash book. Make a journal entry to show the transfer of the shipment. Post these two entries and balance the cash book. H. F. Adams retains the remaining resources of the business, you agreeing to make up half of any losses which may occur from bad debts, and he agreeing to pay all the liabilities of the business. The real estate is valued at \$6000. Draw a check to the order of H. F. Adams for the balance of cash remaining in bank.

Prepare a memorandum of this agreement, and sign it and ask your teacher to sign for H. F. Adams. Get your check cashed and hand the amount to your teacher.

Prepare a notice of dissolution of partnership (see model on next page), and inclose a copy with your monthly statement to each customer.

In business such a notice would be sent to all persons with whom this firm had dealings, and it would also be published in the local newspapers.

mont. June 30, 19—

| | |
|----------------------------------|--------|
| Sundry trade credits as per deb. | |
| Bills pay. notes and acceptances | 1200 |
| Open trade accts. | 5300 |
| | 6500 |
| H. F. Adams invested | 7200 |
| " " " " " " " " | 119650 |
| Student invested | 7000 |
| " " " " " " " " | 119650 |
| | 18357 |

Write a letter to Thos. W. Bowen & Co., Dover, notifying them of the dissolution, and requesting them to send the net proceeds of shipment No. 3 to you when they render an account of sales. Sign the letter, and ask your teacher to sign for H. F. Adams.

FORM OF NOTICE OF DISSOLUTION OF PARTNERSHIP

You are hereby notified that the copartnership heretofore existing between H. F. Adams and E. C. Mills under the firm name of H. F. Adams & Co., at Albany, N.Y., is this day dissolved. Accounts due the firm are to be paid to H. F. Adams, and all claims against the firm should be presented to him for payment when due.

Dated Albany, N.Y., June 30, 19—.

H. F. ADAMS.

E. C. MILLS.

ACCOUNT BOOKS

The Books of Account which you have used in this course are divided into two classes: Principal books and Auxiliary, or helping, books.

Principal Books.—A principal book, you have learned, is one from which or to which posting is done. In this class are the journal, cash book, sales book, invoice book, and ledger.

Auxiliary Books.—An auxiliary book, you have learned, is one which helps to complete the record by supplying certain details, but in which no debits and credits are recorded and from which, consequently, no posting can be done. In this class are the check book and bill book. Other examples are the stock book, in which is kept a detailed record of the merchandise on hand; and the time book, which records the number of hours' labor done by each employee.

Books of Original Entry. A book of original entry is one in which the first, or original, record of a transaction is made.

The daybook, when used as a separate book, is a book of original entry. The modern method is to combine the day book with the journal as explained on page 116, which makes the journal-day book a book of original entry. The other books mentioned on page 133, except the ledger, are also books of original entry.

The books of original entry have a value peculiar to themselves, which is not possessed by books of subsequent entry. If all books were destroyed except the books of original entry, the set could be easily completed, since the books of original entry contain a record of every transaction and all other books are written up from these original records.

Furthermore, books of original entry are the only books admitted as evidence in court. As such their value is greatly enhanced if they have been written up with care and accuracy. Any errors occurring in them should be corrected in such a way as to be self-explanatory and without making any erasures.

Index Book. — For convenience in referring to accounts in the ledger, it is necessary to have the names of all accounts arranged in alphabetical order in a book especially arranged for that purpose, with the page number of the ledger page on which the account appears written immediately after the name of the account. This index book may be bound in the fore part of the ledger, or it may be a separate book. The student should make a careful index of his ledger on the pages left for that purpose at the beginning of the ledger.

Before beginning to post, the bookkeeper in actual business (or an assistant) will find from the index book the ledger page number of each account appearing in the cash book, sales book, journal, or invoice book, and insert it in the folio column before the name of the account. This enables one in posting to refer directly to the page of the ledger on which the account appears, without loss of time. As each entry is posted, a check mark is placed by the folio in the book posted from.

GENERAL REVIEW

Unless otherwise directed, you may use common foolscap paper and rule properly for the journal, sales book, cash book, and ledger, on which to make the records required in the following series of transactions, which are designed to test your understanding of the principles taken up in the past three months' voucher work.

The Stock Book. — The only thing new in this review exercise is the stock book. The form of stock book, or perpetual inventory, illustrated below is designed to show the quantity of goods on hand from day to day. As goods are purchased, the number of yards is entered in the *Bet* column and added to the number in the *On Hand* column. The number of yards sold is entered in the *Sold* column and deducted from the *On Hand* column. Thus the last number in the *On Hand* column will always show the quantity of goods in stock. The form below shows part of the stock book for the following transactions.

FORM OF STOCK BOOK

| | Accounts | | | Entry B | | | Invoice | | | Invoice | | |
|------|----------|------|---------|---------|------|---------|---------|------|---------|---------|------|---------|
| | Bet | Sold | On Hand | Bet | Sold | On Hand | Bet | Sold | On Hand | Bet | Sold | On Hand |
| June | 2 | | | 750 | | 750 | 1200 | | 1200 | 2500 | | 2500 |
| | 4 | | | | 150 | 600 | | | 1000 | | 300 | 2200 |
| | 4 | | | | | | | 200 | | | 600 | 1600 |
| | 4 | | | | 450 | 150 | | | | | 850 | 750 |
| | 5 | | | | 150 | | | | | | | |
| | 5 | | | 802 | | 802 | | | | 2200 | | 2050 |
| | 6 | 100 | 400 | | | | | | | 2000 | | 4050 |
| | 7 | | 145 | | | | | | | | | |
| | 8 | | | | | 302 | 500 | 400 | 600 | | 1200 | 3750 |

An inspection of the form will show that each purchase or sale, whether composed of one or many items, occupies one line. The date of the transaction is given in each case.

A stock record of this kind does not obviate the necessity of taking an inventory. An inventory of goods on hand should be taken periodically and the result compared with the stock book.

Some bookkeepers prefer the card index system for keeping a record of stock on hand. By this method a card is used for each item of merchandise, the name of the article being written at the top of the card. Underneath this, in special ruled columns, is kept a record of goods *buy*, *sold*, and *on hand*. There is also a column for the date or order number. The cards are filed in a drawer in alphabetical order according to the name of the article. When a card is filled, the record is continued on a new card.

Rule on foolscap paper a stock book similar to the form shown. Use red ink, of course, for the rulings. Enter in your stock book the quantities bought, sold, and on hand from day to day. If you do not fully understand this book, ask your teacher to explain it. The results shown by the stock book at the end of the month must agree with the inventory on page 137.

With reference to the remainder of the work in this review, you are not to secure any information from any source, but you are expected to rely solely upon the knowledge of the subject which you have gained thus far.

Your teacher will assign you price lists from the Cost and Selling Price Lists, page 137.

Use great care in figuring your bills and making your entries so that no mistake will appear in your work.

After your journal, cash book, and sales book have been written up, go over the transactions carefully to see that no mistakes have been made. Then post to your ledger and take a trial balance. Prepare business and financial statements, and close your ledger, after which present all your papers to the teacher.

TRANSACTIONS

JUNE 1. — Commenced the Wholesale Carpet business, at No. 182 Elm Street, investing cash, \$5500.

JUNE 1. — Paid \$250 for office furniture.

JUNE 2. — Bought of John H. Pray & Co., Boston, net 30, 2/10, 600 yds. moquette, 750 yds. body brussels, 1200 yds. ingrain, 1200 yds. matting, 2500 yds. lining.

JUNE 3. — Bought of Barton & Bros., Philadelphia, on your note at 15 days, with interest, 1220 yds. linoleum, 1429 yds. oilcloth.

JUNE 4. — Sold E. B. Alling & Co., for cash, less 3 %, 125 yds. moquette, 150 yds. body brussels, 300 yds. lining.

JUNE 4. — Sold F. H. Walling & Co., net 30, 2/10, 200 yds. ingrain, 400 yds. matting, 600 yds. lining.

JUNE 4. — Sold J. G. Carter & Co., on their note at 4 mos., 400 yds. moquette, 450 yds. body brussels, 850 yds. lining.

JUNE 5. — Sold E. H. Smith & Co., on their acceptance at 30 days, 75 yds. moquette, 150 yds. body brussels, 600 yds. linoleum, 429 yds. oilcloth.

JUNE 5. — Discounted J. G. Carter & Co.'s note of the 4th inst. at the City Bank.

JUNE 5. — Bought of John H. Pray & Co., Boston, net 30, 2/10, 950 yds. moquette, 892 yds. body brussels, 2200 yds. lining.

JUNE 5. — Paid freight and drayage on merchandise, \$32.10; rent for month of June, \$75; books and stationery, \$22.50.

JUNE 5. — Bought of James Smith & Co., New York, subject to a 10-day draft, 400 yds. axminster, 525 yds. velvet, 084 yds. tapestry brussels, 2000 yds. lining.

JUNE 7. — Paid James Smith & Co.'s draft of June 5, at 10 days from date, for \$2252.88, less discount for the unexpired time.

JUNE 7. — Sold Reed & Savage, subject to sight draft, less 3%, 145 yds. axminster, 220 yds. velvet, 484 yds. tapestry brussels.

JUNE 8. — Drew a sight draft on Reed & Savage for the amount of invoice sold them 7th inst., less 3%, and had the draft placed to your credit in the City Bank.

JUNE 8. — Sold Knowles & Johnson, on account, net 30, 2/10, 300 yds. moquette, 392 yds. body brussels, 400 yds. ingrain, 1200 yds. lining.

JUNE 9. — Paid the invoice of J. H. Pray & Co., received June 2, \$2768.75, less 2%.

JUNE 10. — F. H. Walling & Co. paid their bill of June 4, less 2%.

JUNE 11. — Discounted E. H. Smith & Co.'s acceptance of June 5, at the City Bank.

JUNE 12. — Sold F. H. Walling & Co., on their note at 4 mos., with interest, 600 yds. ingrain, 475 yds. matting, 1200 yds. lining. Allowed them the cash discount of 3%.

JUNE 14. — Bought of John & James Dobson, Philadelphia, net 30, 2/10, 892 yds. body brussels, 1225 yds. tapestry brussels.

JUNE 14. — Bought of Barton Bros., Philadelphia, net 4 mos., 8/15, 1500 yds. linoleum, 1400 yds. oilcloth.

JUNE 15. — Knowles & Johnson sent you, to apply on account, T. H. Sullivan's note in their favor, dated Denver, Colo., May 24, 10—, at 90 days, for \$742.28, with interest. Allowed Knowles & Johnson credit for the face of the note and the interest accrued upon it to date.

JUNE 15. — Paid John H. Pray & Co. invoice of June 5, less 2%.

JUNE 16. — Discounted the Sullivan note, received of Knowles & Johnson, at the City Bank. (This is an interest-bearing note.)

JUNE 16. — Sold J. G. Carter & Co., on acct., net 60, 2/10, 600 yds. linoleum, 480 yds. oilcloth.

JUNE 17. — Drew for private use, \$150.

JUNE 17. — Paid clerks, \$75.

JUNE 18. — Sold E. H. Smith & Co., on their acceptance at 30 days, 212 yds. axminster, 305 yds. velvet, 250 yds. tapestry brussels.

JUNE 18. — Knowles & Johnson paid the balance due on their bill of June 8, less 2% of the entire bill.

JUNE 18. — Paid note (dated June 3) and interest favor of Barton Bros. due this day.

JUNE 21. — Sold E. B. Alling & Co., net 30, 2/10, 420 yds. moquette, 280 yds. body brussels, 800 yds. lining.

JUNE 21. — Discounted F. H. Walling & Co.'s note of June 12 at the bank.

JUNE 22. — Bought of John H. Pray & Co., Boston, net 60, 3/10, 807 yds. moquette, 1745 yds. ingrain, 2400 yds. lining.

JUNE 23. — Bought of James Smith & Co., New York, subject to sight draft in 10 days, 722 yds. axminster, 941 yds. velvet.

JUNE 23. — Paid John & James Dobson's invoice of June 14, less discount.

JUNE 24. — Sold Reed & Savage, on their acceptance at 10 days, less 2%, 400 yds. moquette, 712 yds. body brussels, 1200 yds. lining.

JUNE 25. — Bought of John & James Dobson, Philadelphia, 1892 yds. body brussels.

671 yds. moquette, 3200 yds. matting. Gave in part payment your note at 4 mos. for one-half the amount of the invoice; the balance on account, 4 mos.

JUNE 26.—Sold Knowles & Johnson, net 4 mos. 2/15, 920 yds. linoleum, 1220 yds. oilcloth, 43 yds. axminster.

JUNE 28.—Sold F. H. Walling & Co., net 30, 2/10, 698 yds. moquette, 792 yds. body brussels, 1500 yds. lining.

JUNE 28.—Sold E. B. Alling & Co., net 30, 2/10, 390 yds. moquette, 822 yds. body brussels, 975 yds. tapestry brussels.

JUNE 29.—Paid Barton Bros.' invoice of the 14th inst., less 8%.

JUNE 30.—E. B. Alling & Co. desired to take advantage of 2% discount on their purchase of June 21, but being short of money, they sent \$1000 to apply on account, with the understanding that they are to be allowed the discount on so much of the bill as this amount will pay for.

JUNE 30.—Paid clerks, \$75. Paid freight bills to date, \$68.92.

INVENTORY

310 yds. moquette, 1745 yds. ingrain, 1450 yds. lining, 722 yds. axminster, 500 yds. tapestry brussels, 678 yds. body brussels, 3525 yds. matting, 700 yds. oilcloth, 941 yds. velvet, 600 yds. linoleum, at cost price; office furniture, valued at \$225.

COST AND SELLING PRICE LISTS—GENERAL REVIEW

| Cost | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|--------------------------------|-----------------------------|-------------------|-------------------|--------------------------------|-------------------|--------------------------------|--------------------------------|-------------------|--------------------------------|-------------------|-------------------|
| 1.87 ² | Axminster | 2.25 | 2.27 | 2.26 | 2.24 | 2.25 | 2.28 | 2.27 | 2.25 | 2.30 | 2.24 |
| 1.05 | Body Brussels | 1.50 | 1.48 | 1.49 | 1.52 | 1.50 | 1.48 | 1.50 | 1.53 | 1.48 | 1.50 |
| .62 ² | Ingrain | .87 ² | .87 ² | .87 ² | .87 ² | .87 | .87 ² | .86 | .87 ² | .88 | .87 ² |
| .06 ¹ | Lining | .09 | .08 | .10 | .08 ² | .09 ² | .09 | .10 ² | .09 | .09 ² | .09 |
| .67 ² | Linoleum | .75 | .76 | .74 | .77 | .75 | .73 | .75 | .74 | .73 | .76 |
| .33 ¹ ₃ | Matting | .50 | .52 | .51 | .48 | .49 | .50 | .52 | .50 | .51 | .49 |
| 1.12 ² | Moquette | 1.62 ² | 1.62 ² | 1.66 ² ₃ | 1.62 ² | 1.66 ² ₃ | 1.67 ² | 1.62 ² | 1.66 ² ₃ | 1.62 ² | 1.67 ² |
| .33 ¹ ₃ | Oilcloth | .45 | .43 | .44 | .42 | .45 | .43 | .44 | .45 | .46 | .42 |
| .66 ² ₃ | Tapestry Brussels | .87 ² | .87 ² | .87 ² | .87 | .87 ² | .87 ² | .87 ² | .87 ² | .87 ² | .87 ² |
| 1.37 ² ₂ | Velvet | 1.67 ² | 1.67 ² | 1.66 ² ₃ | 1.62 ² | 1.67 ² | 1.66 ² ₃ | 1.62 ² | 1.67 ² | 1.62 ² | 1.67 ² |

QUESTIONS

1. What is a draft, and what names are given to the parties to a draft?
2. What is a sight draft? A time draft?
3. What should be the drawer's entry when a draft with three parties is drawn?
4. What should be the payee's entry for a sight draft paid?
5. What should be the drawee's entry for a sight draft paid?
6. What is meant by "accepting" a draft, and what agreement does it constitute?
7. What should be the payee's entry when a time draft has been accepted?
8. What should be the drawer's entry when he accepts a time draft?
9. When drafts are made for the collection of debts, to whose order are they generally payable?
10. What should be the drawer's entry when such a draft is honored if it is a sight draft? What entry if it is a time draft?
11. Define a bank draft and explain its use.

12. To whose order should a bank draft be made?
13. How should a bank draft be indorsed?
14. Explain the use of the invoice book.
15. To what account should the footing of the money column of the invoice book be posted? To which side of the account, and why?
16. Explain the use of the bill book.
17. What are articles of copartnership, and how should they be prepared?
18. When should Interest be credited?
19. What is meant by a shipment?
20. Give the rules for debiting and crediting a Shipment account.
21. Under what circumstances would a bank receive a sight draft on deposit? Suppose it were not paid, what would the bank do?
22. When should Discount be credited?
23. When should Interest be debited?
24. Explain how to verify the bill book.

OPENING ENTRIES

In opening a set of books, first make a complete statement of the resources and liabilities of the business. The resources will consist of Cash in drawer and in bank, all forms of property in the possession of the business, such as merchandise, materials, furniture and fixtures, real estate, machinery and tools, etc., and all debts due the business either on personal accounts, generally spoken of as accounts receivable, or on notes, called bills receivable. There should also be included under the resources any other items of indebtedness due the business, such as accrued interest on bills receivable, prepaid insurance, etc.

The liabilities of a business consist of all it owes. This indebtedness may be either on personal accounts, which are called accounts payable, or on notes, known as bills payable. There may also be other items of debt owing by the business, such as unpaid rent, accrued interest on bills payable, etc.

The difference between the sum of the resources and the sum of the liabilities represents the net investment, or net capital, of the business. This difference should be added to the list of the liabilities of the business, since it is the amount which the business owes to the proprietor or partners.

After this statement of resources and liabilities is completed, it is easily journalized by the following rule:

Debit the resources and credit the liabilities.

This rule will make a complete journal entry of any opening statement, since the resources and liabilities of every business are made equal by considering the net capital, or present worth, as a liability to the business.

By this method, the opening statement of the resources and liabilities of any business is included in one journal entry.

If desired, however, a separate entry may be made for the resources and another one for the liabilities. In this case the rule would be:

Debit the resources and credit the proprietor for the total; credit the liabilities and debit the proprietor for the total.

The opening entry of a business is placed in the journal, the cash being included in this entry as a matter of convenience and to show the complete investment in one entry. The

cash investment is entered also in the cash book, but is checked off so that it will not be posted a second time to the credit of the proprietor or partners. In the journal the cash debit is checked off when the entry is made in the cash book.

Investment of Single Resource by Single Proprietor

This is the simplest kind of opening transaction. The form of the entry required has been shown in previous work. (See pages 6, 10, and 75.)

Investment of Several Resources by Single Proprietor

Make on journal paper the opening entries (journal and cash book) for the following:

1. Geo. W. Carter begins the Coffee, Tea, and Spice business this day with the following resources: Cash on hand and in bank, \$385; mdse. as per inventory, \$1250; store fixtures, \$275; Jno. Harper owes on acct., \$25.

The entry below illustrates the proper form of journal entry.

| | | | |
|--|---------------------|------|------|
| G. T. Berry has this day commenced the Tea, Coffee, and Spice business at 309 Elm St., investing resources as follows: | | | |
| Cash | on hand and in bank | 400 | |
| Mdse. | per inventory | 1500 | |
| Store Fixtures | " " | 300 | |
| Jno. Harper | on acct. | 50 | |
| G. T. Berry | investment | | 2250 |

Do not neglect to check off the cash investment entry in both journal and cash book.

2. James Wooley begins business with the following resources: Cash in safe, \$125; cash in bank, \$3675; store building and lot, \$5000; goods per inventory, \$2500; Harry Altenau owes, \$140; Daniel Jenkins owes, \$320; note of Davis Bros. per B. B., \$627.50; interest accrued on above note to date, \$6.28.

3. E. M. Harrigan begins business with these resources: Cash in bank, \$3750; mdse. as per inventory, \$5378; office safe, \$375; typewriter and other office furniture, \$200; building and lot partially occupied by business, \$7000. The following firms owe Harrigan on acct.: Harrison Loeb, \$126; Fay & Eagan Co., \$75.84; Jones Bros. Co., \$186.75.

Investment of Resources and Liabilities by Single Proprietor

4. J. W. Jones has this day opened a Wood and Coal business at 125 W. Fifth St., with the following resources and liabilities:

RESOURCES. — Cash on hand and in bank, \$675.50; mdse. as per inventory, \$1672.25; horses and wagons valued at \$570; S. M. Blue on account, \$72.50; J. D. Simpson on account, \$45.

LIABILITIES. — Due Jno. Solzer & Co., on account, \$395; due H. C. Bailey on 30 da. note, \$500.

The following illustrates the form of journal entry required.

| | | | |
|-------------------|---------------------|------|------|
| Cash | on hand and in bank | 700 | |
| Mdse. | per inventory | 1345 | |
| Horse & Wagon | " " | 500 | |
| E. H. Beel | on account | 75 | |
| E. L. Schuler | " " | 50 | |
| R. E. Brown & Co. | " " | | 400 |
| Bills Payable | 30 da. note | | 600 |
| J. W. Smith | net investment | | 1758 |

5. V. C. Taylor commenced business with cash, \$5000; real estate, \$12,000; mdse., \$8500; note for \$1500 against J. Wilson, with accrued interest, \$10.50; note for \$600 against A. R. White, with interest accrued, \$7.20; due from D. D. Jones on account, \$175, and from J. C. Henry, \$375. Taylor owes on a note to Carl D. Steiner, \$460; interest accrued on this note, \$9; Taylor owes on account to Brown & Jones, \$1265.50, and to Jacob J. Anstead, \$324.75.

Opening Entries of Partnerships

6. Harry Peck and Joseph Long form a partnership under the firm name of Peck & Co., for the purpose of conducting the Furniture business. Peck invests cash \$5000, and Long invests \$3000.

Make the entry, debiting cash for the total amount of money invested, this being the resource at beginning, and crediting the partners for their respective investments.

7. John Shaler, Henry Desmond, and J. C. Cunningham have formed a partnership under the style of Shaler, Desmond & Co., to carry on the dry goods business. Their investments are as follows:

Shaler invests cash, \$3000; stock of goods, \$2000; sundry personal accounts due him amounting to \$1500; and Henry Gorman's note, \$500, with accrued interest, \$5.

Desmond invests cash, \$2000; store building and lot, \$7000.

Cunningham's investment consists of cash, \$1500, and 50 shares of Pa. R. R. stock at the market value of \$120 per share.

Make one entry for the entire opening transaction, debiting resources and crediting liabilities. The only liabilities in this case are to the three partners for the amount of their investments. Debit *Accounts Receivable* for the total of personal accounts due.

8. Thomas Bender and J. B. Potter have this day formed a partnership and will hereafter conduct their respective businesses as one business under the style of Bender & Potter.

Bender's statement of resources and liabilities is as follows:

RESOURCES. Cash on hand, \$1000; stock of groceries, \$1125; outstanding accounts \$305; store and office fixtures, \$800; office furniture, \$250.

LIABILITIES. Due sundry creditors on account, \$500; notes outstanding, \$750.

Potter's statement is as follows:

RESOURCES. Cash, \$1500; stock of coffee, tea and spices, \$2000; store lot and building, \$6000; rent due on part of storeroom, \$200.

LIABILITIES. Due creditors on account, \$1500; mortgage on store building, \$3000.

Make entry for the opening statement of the new firm. Credit *Accounts Payable* for the total due creditors. Credit *Mortgages Payable* for the mortgage.

SUPPLEMENTARY EXERCISE—No. 4

HARDWARE BUSINESS

The books to be used in this set are journal, cash book, check book (stub only), sales book, and ledger. Use loose journal and ledger paper for the work.

The accounts to be kept in the ledger are similar to those in previous work, with two exceptions: (1) Instead of keeping two separate accounts called *Interest* and *Discount*, keep only one *Interest and Discount* account, including all items such as have been previously included in Interest account or in Discount account. (2) A new account, called *Collection and Exchange*, is kept, to include allowances made for collecting and transmitting money.

Give Merchandise, Expense, Interest and Discount, Collection and Exchange, Bills Receivable, and Bills Payable each one-half page space in the ledger, and all other accounts each one-fourth of a page space. In opening personal accounts, give the place of business.

TRANSACTIONS

JUNE 1. — "Student" and Geo. D. Whitney have this day formed a co-partnership, under the firm name of "Student" & Co., and have leased of H. N. Smith the store No. 1466 Main Street, at \$1200 per year, rent payable monthly in advance, for the purpose of carrying on the hardware business. The gains and losses of the business are to be shared equally.

"Student" invests the following resources: Cash paid in, \$1500; Geo. B. Gordon, City, on account, \$1600; A. G. Steele & Co., City, on account, \$954.50; Sewell & Clark, Greenville, on account, \$1050.75; Wm. Peet, City, on account, \$800; French & French, Oakland, on account, \$375.25; The Grover Mfg. Co., North Bend, on account, \$1625.60.

The following liabilities of "Student" are assumed by the firm: Swift, Ennis & Co., City, on account, \$918.75; A. B. Smith, Centralia, on account, \$411.51; Wells & Gardner, City, on account, \$575.84; D. B. Pond & Bro., Chicago, on account, \$1000.

Geo. D. Whitney invests cash, \$2500, and an account of Carter & Weeks, Plainfield, \$2500.

JUNE 1. — Open an account at Flour City Bank, and deposit cash, \$2000.

JUNE 1. — Buy of Hemingway & Selden, City, on account, 60 days, 2 % 10 days, 20 doz. C. S. Axes; 1000 lbs. B. Metal; 4 doz. Hand Saws; 5 doz. W. Wrenches; 10 I. C. Freezers; 6 doz. Steelyards; 20 doz. Porc. Knobs; 20 doz. Knives and Forks; 10 U. C. Wringers; 200 lbs. Washers; 10 doz. A. E. Hammers.

Ask your teacher to assign you a price-list number from the lists shown on page 147. In this work you will be required to find the amount of the purchases as well as of the sales.

Enter the above, and all similar transactions in this exercise, in the journal. Write the items and prices in the explanation column. Abbreviate the items as shown in the record of the transaction.

JUNE 1. — Pay H. N. Smith one month's rent of store, in advance, by check (see first transaction, above).

JUNE 1. — Sell E. Langworthy, Marcellus, on account, 10 days, 2 doz. W. Wrenches; 3 doz. A. E. Hammers; 4 I. C. Freezers; 2 doz. C. S. Axes; 200 lbs. B. Metal.

JUNE 2. — Sell Barber & Swift, Georgetown, on account, 10 days, 1 doz. Hand Saws:

5 doz. Knives and Forks; 5 doz. Porc. Knobs; 1 doz. Steelyards; 100 lbs. B. Metal; 4 U. C. Wringers.

JUNE 2. — Sell L. B. Mason, City, on account, 10 days, 2 doz. A. E. Hammers; 2 doz. C. S. Axes; 3 I. C. Freezers; 50 lbs. Washers.

JUNE 2. — Buy of Briggs & Son an office safe, and pay for same by check on F. C. Bank, \$225. (Debit *Office Furniture and Fixtures* account.)

JUNE 2. — Give Wells & Gardner check to apply on account, \$275.84.

JUNE 2. — Receive of Wm. Peet his check on Traders Bank to apply on account, \$300.

JUNE 2. — Deposit in F. C. Bank \$500 in currency, and Wm. Peet's check.

JUNE 3. — Receive by Commercial Freight Line from Hart, Bliven & Mead, 494 and 496 Broadway, New York, goods as per invoice dated June 1, 19 , terms, 90 days, 2/30, 3/10: 25 doz. Carpet Stretchers; 15 doz. Jack Planes; 10 doz. R. R. Picks; 10 doz. Try Squares; 25 doz. Mortise Locks; 15 Copying Presses; 5 doz. Ratchet Braces; 10 pr. B. D. Hangers; 5 doz. P. G. Coal Hods.

JUNE 3. — Sell French & French, Oakland, on account, 10 days, 2 pr. B. D. Hangers; 5 Copying Presses; 2 doz. Jack Planes; 5 doz. Mortise Locks; 2 doz. R. R. Picks; 3 doz. Try Squares; 200 lbs. B. Metal.

JUNE 3. — Pay J. B. Jones's bill for stationery supplied for office use in cash, \$27.50.

JUNE 3. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft, dated June 2, at 3 days' sight, favor Charles Green, \$400.

JUNE 3. — Receive of G. B. Gordon, on account, his check on Merchants Bank, \$600.

JUNE 3. — Sell E. Langworthy, 10 days, 2 doz. Ratchet Braces; 5 doz. Carpet Stretchers; 3 doz. R. R. Picks; 2 doz. Try Squares; 3 Copying Presses.

JUNE 3. — Sell L. B. Mason, 10 days, 1 doz. Hand Saws; 3 Copying Presses; 5 doz. Knives and Forks.

JUNE 3. — Receive of Carter & Weeks, on account, their check on First National Bank of Plainfield, \$500.

JUNE 3. — Deposit currency, \$300; also the checks of Gordon and Carter & Weeks. Bank charges $\frac{1}{10}\%$ collection on Carter & Weeks's check.

(Debit *Collection and Exchange* in the cash book for the amount of the collection charge; in this case $\frac{1}{10}\%$ of \$500 = 50 cents. The collection charge is an allowance to others. The bank credits your account with \$400.50; but that is the same as if it gave you \$500 and then took back \$.50. The rules governing *Collection and Exchange* account are like those for accounts of other allowances, such as for *Discount*.)

JUNE 5. — Receive cash of Barber & Swift, in full of invoice, 2d inst.

JUNE 5. — Sell Sewell and Clark, Greenville, on account, 10 days, 2 doz. R. R. Picks; 5 doz. Mortise Locks; 5 doz. C. S. Axes; 3 pr. B. D. Hangers; 5 doz. Porc. Knobs; 5 doz. Knives and Forks; 5 doz. Carpet Stretchers.

JUNE 5. — Receive of A. G. Steele & Co. their note at 60 days, payable at Merchants Bank, to apply on account, \$500.

JUNE 5. — Give Hemingway & Selden a check in full of invoice, 1st inst., less 2%.

JUNE 6. — Your acceptance of 3d inst., for \$400, due to-day, has been presented at F. C. Bank, paid, and charged to your account.

JUNE 8. — Receive of Pratt, Conway & Mills, 200 kegs 8d. Cut Nails. Invoice dated June 2. Terms cash, in 10 days.

JUNE 8. — Receive cash of E. Langworthy, on account, \$50.

JUNE 8.—Draw on Carter & Weeks, at sight, for \$500, your favor, to apply on account, and leave the draft at F. C. Bank for collection. (Memorandum only.)

JUNE 8.—Sell Daniels & Baker, Cedar Grove, on account, 10 days, 25 kegs Cut Nails; 3 doz. Jack Planes; 3 doz. C. S. Axes; 5 doz. Mortise Locks; 200 lbs. B. Metal.

JUNE 9.—Receive of French & French their check on Farmers Bank of Oakland on account, \$375.25.

JUNE 9.—Deposit cash in F. C. Bank, \$200. Also French & French's check. Bank charges $\frac{1}{10}\%$ collection on the check. (See deposit on June 3.)

JUNE 10.—Receive by Commercial Freight Line, from Hart, Bliven & Mead, goods as per invoice dated June 8, terms 90 days, 2/15: 25 doz. pairs Strap Hinges; 10 U. C. Wringers; 10 doz. A. E. Hammers; 5 doz. H. Saws; 15 Copying Presses; 10 doz. W. Wrenches; 5 doz. Ratchet Braces; 20 doz. Knives and Forks; 10 I. C. Freezers; 20 pr. B. D. Hangers; 10 doz. Steelyards; 5 doz. C. S. Axes.

JUNE 10.—Receive of Grover Mfg. Co., to apply on account, their draft for \$1000, dated June 8, at 15 days' sight, on Colton & Reese, this city, which they have accepted this day, payable at F. C. Bank. Indorse the acceptance, and leave it at F. C. Bank for collection.

JUNE 12.—Buy at F. C. Bank by check, at $\frac{1}{4}\%$ exchange, a draft on Exchange Nat. Bank, New York, and remit the same to Hart, Bliven & Mead, in full of invoice Mdse. received 3d inst., less 3%.

(Debit *Collection and Exchange* for the bank's charges. Reckon exchange on the amount remitted. Exchange is an allowance.)

JUNE 13.—Receive of French & French their check on Farmers Bank of Oakland for invoice, 3d inst.

JUNE 13.—Receive of L. B. Mason his check on Traders Bank for invoice, 3d inst.

JUNE 13.—Sell C. B. Shafer, Gasport, 3 doz. C. S. Axes; 2 doz. P. G. Coal Hods; 3 doz. W. Wrenches; 4 doz. Ratchet Braces; 2 doz. Jack Planes; 5 Copying Presses. Receive cash, \$75; balance on account, 10 days.

JUNE 13.—Deposit currency, \$100, also checks of French & French and L. B. Mason; bank deducts $\frac{1}{10}\%$ for French & French's check.

JUNE 15.—Pay Hamilton & Groves's bill for office desk, by check, \$100.

JUNE 15.—Receive by C. N. Line from D. B. Pond & Bro., Chicago, goods as per invoice dated June 8, terms 60 days: 100 Grindstones; 50 Blacksmiths' Drills.

JUNE 15.—Sell E. Langworthy on account, 10 days, 25 kegs Cut Nails; 5 B. S. Drills; 5 doz. pr. Strap Hinges; 2 doz. P. G. Coal Hods; 50 lbs. Washers.

JUNE 15.—Receive of Sewell & Clark their check on First Nat. Bank of Greenville, in full for invoice of 5th inst.

JUNE 15.—Deposit Sewell & Clark's check. Bank charges $\frac{1}{10}\%$ collection.

JUNE 17.—Pay A. B. Smith's sight draft on you, dated June 15th, favor A. M. Purdy & Co., \$200, by check.

JUNE 17.—Receive credit at F. C. Bank for the \$500 draft on Carter & Weeks, left for collection on the 8th inst., less charges for collection, $\frac{1}{4}\%$.

JUNE 18.—Buy a draft on New York at F. C. Bank, by check, at $\frac{1}{4}\%$ exchange, and remit it to Pratt, Conway & Mills, in full of invoice of Mdse. received on the 8th inst.

(See instructions for remitting to Hart, Bliven & Mead, 12th inst. In this case, however, there is no discount allowed.)

JUNE 18.—Receive of Daniels & Baker their check on Citizens Bank, Cedar Grove, for invoice 8th inst.

JUNE 18. — Sell Barber & Swift, for cash, 50 kegs Cut Nails.

(Debit *Barber and Swift* in sales book and credit them in cash book.)

JUNE 18. — Deposit currency, \$300, and Daniels & Baker's check. Bank charges $\frac{1}{10}$ % collection on the check.

JUNE 19. — Discount, at F. C. Bank, A. G. Steele & Co.'s note, received 5th inst.; receive credit for the proceeds.

JUNE 20. — Geo. D. Whitney draws from the business for individual use, by check, \$350.

JUNE 20. — Remit Hart, Bliven & Mead a draft on New York for invoice of goods received 10th inst., less 2 % discount; buy the draft at F. C. Bank by check. Exchange $\frac{1}{4}$ %.

JUNE 23. — Pay Wells & Gardner cash to balance account.

JUNE 23. — Sell French & French on account, 10 days, 5 B. S. Drills; 10 Grindstones; 5 doz. Porc. Knobs; 3 doz. W. Wrenches; 2 doz. C. S. Axes; 100 lbs. B. Metal; 5 doz. A. E. Hammers; 4 Copying Presses.

JUNE 25. — Pay Barton & Co.'s bill for coal for use of store, in cash, \$50.

JUNE 26. — Student takes from the stock for his individual use, to be charged to him at cost, 1 I. C. Freeze; 1 doz. Knives and Forks; 1 U. C. Wringer.

JUNE 28. — Receive cash of A. G. Steele & Co. to balance account.

JUNE 28. — Deposit cash in F. C. Bank, \$400; also receive credit for the acceptance of Colton & Reese, which was left the 10th inst. for collection, and has been paid. (This paper being payable in the city, the bank makes no charge for collection.)

JUNE 28. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft, dated June 22, at 3 days' sight, favor Charles Green, \$600.

JUNE 29. — Pay freight bills for the month, in cash, \$35.50.

JUNE 30. — Pay salaries of employees for the month, in cash, \$100.

Close the cash book, rule and foot the journal and sales book, and post. Take off a trial balance by differences (no statements are required and no accounts are to be closed), and hand in books and trial balance for approval.

JULY 1. — Receive of C. B. Shafer his check on East Side Banking Co., City, to balance account.

JULY 1. — Your acceptance of June 28 for \$600, due to-day, has been paid at F. C. Bank and charged to your account.

JULY 1. — Sell Daniels & Baker, at 10 days, 5 doz. Steelyards; 10 Grindstones; 2 doz. C. S. Axes; 5 doz. M. Locks; 5 U. C. Wringers.

JULY 1. — Receive cash of L. B. Mason, in full of account.

JULY 1. — Deposit cash, \$500, and Shafer's check.

JULY 1. — Draw on E. Langworthy at sight, in full of his account, and leave the draft for collection.

JULY 2. — Receive a letter from Hart, Bliven & Mead, expressing regret that the coal hods in their first invoice were not satisfactory, and informing you that a reduction of \$10 has been allowed and the amount placed to your credit.

(Debit *Hart, Bliven & Mead*, and credit *Allow.* in the journal for the amount allowed.)

JULY 3. — Receive of Sewell & Clark their note dated June 15th, at 60 days, payable at First Nat. Bank, Greenville, in full of their account and 60 days' interest on same.

(Instead of writing an interest-bearing note, they have given you a note for an amount equal to the original debt plus interest on the same from June 15 to maturity of note.)

JULY 3. — Give H. N. Smith a check for one month's rent of store, in advance (p. 141).

JULY 3. — Receive by Commercial F. F. Line, from Hart, Bliven & Mead, goods as per invoice dated July 1, terms, cash in 10 days: 10 doz. P. G. Coal Hods; 5 doz. C. S. Axes; 10 doz. Hand Saws; 15 doz. Porc. Knobs; 10 doz. R. Braces; 5 doz. R. R. Picks; 5 doz. Try Squares; 5 doz. W. Wrenches; 200 lbs. Washers.

JULY 3. — Sell Barber & Swift, at 10 days, 5 doz. C. S. Axes; 10 doz. Porc. Knobs; 100 lbs. Washers; 4 doz. R. Braces; 5 B. S. Drills.

JULY 6. — Sell L. B. Mason, at 10 days, 5 doz. Knives and Forks; 10 kegs Cut Nails; 50 lbs. B. Metal; 3 doz. R. R. Picks; 5 doz. pr. Strap Hinges; 2 doz. A. E. Hammers.

JULY 6. — Receive of Wm. Peet his check on Traders Bank, to balance account; also receive of Geo. B. Gordon his check on Merchants Bank, to apply on account, \$400.

JULY 6. — Deposit the checks received of Wm. Peet and Geo. B. Gordon.

JULY 6. — Give Swift, Ennis & Co. your check to apply on account, \$500.

JULY 6. — Receive cash of French & French in full of invoice, June 23.

JULY 8. — Sell Oliver & Brayton, City, at 10 days, 3 Copying Presses; 2 doz. P. G. Coal Hods; 2 doz. Try Squares; 50 lbs. Washers; 3 doz. J. Planes; 2 U. C. Wringers.

JULY 10. — Accept, payable at F. C. Bank, D. B. Pond & Bro.'s draft at 30 days' sight, favor themselves, in full of invoice received June 15.

JULY 10. — Deposit cash in F. C. Bank, \$250.

JULY 10. — Pay June gas bill, in cash, \$5.25.

JULY 11. — Receive, via P. & W. R. R., from Pratt, Conway & Mills, 100 kegs Cut Nails. Invoice is dated July 6, at 10 days.

JULY 11. — Receive cash of Geo. B. Gordon, on account, \$200.

JULY 13. — Receive credit at F. C. Bank for draft on E. Langworthy, left 1st instant, less charges for collection, $\frac{1}{4}\%$.

JULY 13. — Receive of Daniels & Baker their check on Citizens Bank, Cedar Grove, in full of invoice, 1st inst.

JULY 13. — Deposit cash, \$200, and Daniels & Baker's check. Bank charges collection on check, $\frac{1}{16}\%$.

JULY 13. — Buy a New York draft at F. C. Bank, by check, at $\frac{1}{4}\%$ exchange, and remit to Hart, Bliven & Mead, in full of invoice received 3d inst., less amount charged to their account for allowance on coal hods, July 2.

JULY 14. — Accept, payable at F. C. Bank, A. B. Smith's draft dated July 8, at 5 days' sight, favor John H. Boyd, in full of account.

JULY 15. — Receive cash of Barber & Swift, in full of their invoice of 3d inst.

JULY 18. — Sell Sewell & Clark, at 10 days, 5 doz. R. Braces; 5 doz. Knives and Forks; 50 lbs. Washers; 3 Copying Presses; 25 kegs Cut Nails; 3 B. S. Drills; 10 Grindstones; 5 doz. pr. Strap Hinges.

JULY 18. — Receive cash of L. B. Mason, in full of invoice of 6th inst.

JULY 18. — Sell A. G. Steele & Co., City, 5 doz. Porc. Knobs; 5 doz. C. Stretchers; 10 pr. B. D. Hangers; 3 I. C. Freezers; 5 doz. W. Wrenches. Receive cash, \$50; balance on account, 10 days.

JULY 19. — Your acceptance of July 14, favor John H. Boyd, due to-day, has been paid and charged to your account at F. C. Bank.

JULY 20. — Receive cash of Oliver & Brayton, in full of invoice of the 8th inst.

JULY 20. — Deposit cash in F. C. Bank, \$300.

JULY 20. — Student draws from the business for his individual use, by check, \$300.

JULY 21. Buy of Hemingway & Selden, 60 days, $2\frac{1}{2}\%$ 10 days, 10 doz. Hand Saws; 10 doz. W. Wrenches; 5 doz. C. S. Axes; 10 doz. Knives and Forks; 20 doz. M. Locks.

JULY 23. Draw on Carter & Weeks at sight for \$500 in your favor, and leave the draft for collection.

JULY 24. — Discount at F. C. Bank, Sewell & Clark's note received on the 3d inst. and have the proceeds placed to your credit. The bank charges $\frac{1}{4}\%$ collection in addition to the discount.

(The collection, as well as the discount, is computed on the face of the paper.)

JULY 24. Pay Pratt, Conway & Mills's sight draft on you for invoice received on the 11th inst., by check on F. C. Bank.

JULY 26. Pay freight bills for the month, in cash, \$21.60.

JULY 27. Sell E. Langworthy, at 10 days, 5 doz. pr. S. Hinges; 5 doz. W. Wrenches; 10 doz. M. Locks; 5 pr. B. D. Hangers; 5 doz. J. Planes; 1 Copying Press; 5 doz. C. Stretchers; 50 lbs. Washers.

JULY 27. Receive of Carter & Weeks their note dated July 24, at 30 days, payable at First Nat. Bank, Plainfield, to balance account, \$1000.

JULY 28. Received cash of A. G. Steele & Co. for balance due on invoice of the 18th inst.

JULY 29. Receive credit at F. C. Bank for draft on Carter & Weeks, left 23d inst., less collection, $\frac{1}{4}\%$.

JULY 30. Give Hemingway & Selden check in full of invoice 21st inst., less $2\frac{1}{2}\%$.

JULY 30. — Pay salaries of employees for the month, in cash, \$100.

JULY 31. — Receive Sewell & Clark's check on First Nat. Bank of Greenville, in full for invoice of 18th inst.

JULY 31. — Deposit Sewell & Clark's check and all the currency on hand. Bank charges $\frac{1}{10}\%$ collection on the check.

INVENTORIES, JULY 31, 19—

Mdse. as follows. Inventory at buying price.

| | | |
|---------------------------------|---------------------------|--------------------------|
| 8 doz. A. E. Hammers, | 70 Grindstones, | 5 doz. R. R. Picks, |
| 32 B. S. Drills, | 27 doz. Hand Saws, | 5 doz. pr. Strap Hinges, |
| 150 lb. B. Metal, | 9 I. C. Freezers, | 10 doz. Steelyards, |
| 10 pr. B. D. Hangers, | 24 doz. Knives and Forks, | 8 doz. Try Squares, |
| 105 kg. (10,500 lb.) Cut Nails, | 15 doz. M. Locks, | 8 U. C. Wringers, |
| 11 doz. C. S. Axes, | 5 doz. P. Knobs, | 12 doz. W. Wrenches, |
| 5 doz. Carpet Stretchers, | 9 doz. P. G. Coal Hods, | 50 lb. Washers. |
| 3 Copying Presses, | 5 doz. R. Braces, | |

Office Furniture and Fixtures. Office safe, \$200; desk, \$75; total, \$275.

Expense. Coal on hand, \$50.

Copy the above inventories in the journal. Find the value of the mdse. by using your buying price list.

You will now balance the cash book, foot the sales book, and complete the posting, after which make business and financial statements. If your teacher wishes, make also a balance sheet of the kind described on page 148.

Close the ledger, and hand your books and statements to the teacher for approval.

BUYING PRICE LISTS FOR JUNE AND JULY

| | No. 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Adz Eye Hammers | 4.75 doz. | 4.60 | 4.55 | 4.65 | 4.50 | 4.60 | 4.55 | 4.75 | 4.60 | 4.50 |
| Blacksmiths' Drills | 5.00 each | 5.00 | 5.25 | 4.00 | 5.00 | 4.00 | 4.05 | 4.00 | 5.00 | 5.25 |
| Babbitt Metal | .12½ lb. | .12 | .12½ | .11 | .12 | .11½ | .12½ | .12 | .11 | .11½ |
| Barn Door Hangers | 2.00 pr. | 1.90 | 1.75 | 1.80 | 1.90 | 1.75 | 2.00 | 1.80 | 1.75 | 1.90 |
| Cut Nails, 8d., 100 lb. keg . . | .03½ lb. | .03 | .03½ | .03½ | .04 | .03½ | .03½ | .03½ | .03 | .04 |
| Cast Steel Axes | 10.00 doz. | 9.00 | 9.25 | 9.00 | 9.50 | 9.00 | 9.25 | 9.50 | 10.00 | 9.25 |
| Carpet Stretchers | 2.25 doz. | 2.10 | 2.00 | 2.05 | 2.50 | 2.25 | 2.00 | 2.20 | 2.25 | 2.10 |
| Copying Presses | 4.50 each | 4.00 | 3.90 | 3.95 | 4.00 | 4.25 | 3.90 | 3.95 | 4.00 | 3.90 |
| Grindstones | 1.50 each | 1.40 | 1.50 | 1.40 | 1.35 | 1.45 | 1.50 | 1.40 | 1.45 | 1.35 |
| Hand Saws, 26 in. | 15.00 doz. | 14.00 | 13.50 | 14.25 | 14.00 | 13.25 | 13.50 | 14.00 | 14.50 | 15.00 |
| Ice Cream Freezers | 4.00 each | 3.75 | 3.60 | 3.50 | 3.60 | 3.75 | 4.00 | 3.60 | 3.75 | 3.50 |
| Jack Planes | 5.00 doz. | 5.00 | 4.90 | 4.85 | 4.75 | 4.80 | 4.90 | 5.00 | 4.95 | 4.80 |
| Knives and Forks | 4.00 doz. | 4.00 | 3.80 | 3.90 | 3.75 | 3.90 | 3.85 | 4.00 | 3.75 | 3.90 |
| Mortise Locks | 2.25 doz. | 2.10 | 2.00 | 2.05 | 2.00 | 2.05 | 2.10 | 2.25 | 2.10 | 2.05 |
| Porcelain Knobs | .75 doz. | .75 | .70 | .75 | .65 | .70 | .75 | .70 | .75 | .70 |
| Plain Galv'd Coal Hods . . . | 10.00 doz. | 9.50 | 10.00 | 10.25 | 9.75 | 10.00 | 9.50 | 9.25 | 9.75 | 9.50 |
| Ratchet Braces | 8.75 doz. | 8.50 | 8.10 | 8.50 | 8.25 | 8.50 | 8.75 | 8.50 | 8.25 | 8.50 |
| Rail Road Picks, 8 lb. | 6.50 doz. | 6.25 | 6.20 | 6.25 | 6.00 | 6.25 | 6.20 | 6.50 | 6.20 | 6.50 |
| Strap Hinges, 8 in. | 3.00 dz. pr. | 2.00 | 2.75 | 3.00 | 2.75 | 2.90 | 3.00 | 2.75 | 2.80 | 2.90 |
| Steelyards | 6.50 doz. | 6.40 | 6.35 | 6.40 | 6.50 | 6.40 | 6.35 | 6.50 | 6.40 | 6.45 |
| Try Squares, 8 in. | 3.50 doz. | 3.25 | 3.00 | 3.25 | 3.00 | 3.50 | 3.25 | 3.50 | 3.00 | 3.25 |
| Universal Clothes Wringers . . | 4.00 each | 4.25 | 4.00 | 4.10 | 4.00 | 4.25 | 4.10 | 4.50 | 4.25 | 4.50 |
| Wrought Wrenches | 11.50 doz. | 11.25 | 10.00 | 10.50 | 10.00 | 10.25 | 10.75 | 11.00 | 11.25 | 11.00 |
| Washers, ½ in. | .06 lb. | .05 | .04½ | .05½ | .05 | .05½ | .06 | .06½ | .05½ | .06 |

SELLING PRICE LISTS FOR JUNE AND JULY

| | No. 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------------|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Adz Eye Hammers | 5.75 doz. | 5.75 | 5.70 | 5.75 | 5.50 | 5.55 | 5.50 | 5.00 | 5.50 | 5.40 |
| Blacksmiths' Drills | 6.00 each | 6.25 | 6.10 | 5.80 | 5.90 | 5.75 | 5.80 | 5.75 | 5.90 | 6.00 |
| Babbitt Metal | .15 lb. | .15 | .16½ | .14 | .14½ | .14 | .15 | .14 | .13½ | .14 |
| Barn Door Hangers | 2.50 pr. | 2.50 | 2.33½ | 2.25 | 2.35 | 2.20 | 2.45 | 2.25 | 2.10 | 2.30 |
| Cut Nails, 8d., 100 lb. keg . . | .04 lb. | .04½ | .04½ | .04 | .05 | .04½ | .05 | .05 | .04 | .05 |
| Cast Steel Axes | 12.50 doz. | 12.25 | 11.75 | 11.50 | 12.00 | 11.60 | 11.75 | 12.00 | 12.50 | 11.75 |
| Carpet Stretchers | 3.00 doz. | 3.10 | 3.25 | 2.75 | 3.00 | 2.90 | 2.75 | 2.95 | 3.00 | 3.15 |
| Copying Presses | 5.50 each | 5.25 | 5.00 | 4.75 | 4.85 | 5.00 | 4.80 | 4.85 | 4.75 | 4.40 |
| Grindstones | 2.25 each | 2.25 | 2.00 | 2.10 | 2.00 | 2.15 | 2.25 | 2.15 | 2.20 | 2.10 |
| Hand Saws, 26 in. | 18.00 doz. | 18.00 | 17.00 | 17.50 | 17.00 | 16.75 | 16.85 | 17.00 | 17.25 | 18.00 |
| Ice Cream Freezers | 5.00 each | 5.00 | 4.75 | 4.50 | 4.60 | 4.75 | 4.95 | 4.50 | 4.70 | 4.25 |
| Jack Planes | 6.00 doz. | 6.25 | 5.75 | 5.70 | 5.60 | 5.75 | 5.85 | 5.75 | 5.50 | 5.40 |
| Knives and Forks | 5.00 doz. | 5.25 | 5.20 | 4.80 | 4.75 | 4.75 | 4.80 | 4.90 | 4.75 | 4.80 |
| Mortise Locks | 3.00 doz. | 3.00 | 2.75 | 2.70 | 2.65 | 2.70 | 2.75 | 2.85 | 2.70 | 2.65 |
| Porcelain Knobs | 1.25 doz. | 1.30 | 1.25 | 1.20 | 1.15 | 1.20 | 1.25 | 1.20 | 1.25 | 1.15 |
| Plain Galv'd Coal Hods . . . | 12.50 doz. | 12.25 | 12.00 | 12.50 | 11.75 | 12.25 | 11.50 | 11.00 | 12.00 | 11.75 |
| Ratchet Braces | 10.75 doz. | 10.75 | 10.10 | 10.50 | 10.25 | 10.50 | 10.75 | 10.50 | 10.75 | 10.50 |
| Rail Road Picks, 8 lb. | 9.00 doz. | 9.00 | 8.75 | 8.80 | 8.50 | 8.75 | 8.70 | 8.65 | 8.50 | 8.75 |
| Strap Hinges, 8 in. | 4.50 dz. pr. | 4.50 | 4.00 | 4.25 | 4.00 | 4.25 | 4.50 | 4.25 | 4.30 | 4.40 |
| Steelyards | 8.50 doz. | 8.50 | 8.25 | 8.40 | 8.35 | 8.40 | 8.25 | 8.45 | 8.30 | 8.35 |
| Try Squares, 8 in. | 4.75 doz. | 4.75 | 4.30 | 4.50 | 4.25 | 4.75 | 4.50 | 4.75 | 4.25 | 4.50 |
| Universal Clothes Wringers . . | 5.50 each | 5.75 | 5.00 | 5.50 | 5.40 | 5.65 | 5.50 | 5.75 | 5.50 | 5.75 |
| Wrought Wrenches | 14.75 doz. | 14.75 | 13.50 | 13.75 | 13.50 | 13.25 | 14.00 | 14.25 | 14.50 | 14.00 |
| Washers, ½ in. | .07½ lb. | .07½ | .06½ | .07 | .06½ | .07 | .07 | .07½ | .07 | .07½ |

ADVANCED COURSE

TO THE STUDENT

The Advanced Course is designed to show the application of the principles of bookkeeping to the records of special lines of business; the development of the simple forms of books into special forms; and the classification and subdivision of accounts.

The lines of business selected are representative of four important departments of business activity—retailing, commission, wholesaling, and manufacturing. In connection with each, approved forms of records are shown, and modern methods of business procedure are explained and illustrated.

Terminology.—The technical terms used in the Introductory Course are those commonly employed by bookkeepers. They are used where the business is of small or ordinary size and is conducted either by an individual or a firm.

The rapid growth during recent years of the corporate and trust forms of business organization, and the development of the forms of business records in connection with them, have resulted in a wider classification of the accounts, and a somewhat different terminology than was necessary in the older forms.

Following are some of the accounting terms generally used, and their equivalent bookkeeping terms, distinguished by A for accounting and B for bookkeeping:

A—Frame an entry; B—Make an entry. A—Construct an account, raise an account, set up an account; B—Open an account. A—Rule off an account; B—Rule an account. A—Close up an account; B—Close an account. A—Assets; B—Resources. A—Profits; B—Gains. A—Trading Account and Profit and Loss Statement; B—Business Statement, Statement of Losses and Gains. A—Balance Sheet, Statement of Assets and Liabilities; B—Financial Statement, Statement of Resources and Liabilities.

Bookkeeping and Accounting.—The records of the older and newer forms of business organization are distinguished by the terms Bookkeeping and Accounting. Accounting includes Bookkeeping, as the term is generally understood, and covers the whole field of account keeping; while Bookkeeping is restricted to a particular part of the field, namely, the records of the transactions.

Accounting deals chiefly with the scientific arrangement of the forms of the record mediums, such as the books, etc., the classification of the accounts, so as to cause them to show in detail the results and condition of the business, and with the statements of these results and condition. Bookkeeping deals chiefly with the making of the records, according to the classification of the accounts, and the arrangement of the forms of the record mediums, suggested by the principles of accounting. A person who makes the records of business transactions is called a "bookkeeper." One who performs the work of classifying accounts, arranging the forms of record mediums, supervising the records, and making statements of the results and condition of a business is called an "accountant." A person who examines the records for the purpose of verifying their accuracy is called an "auditor."

In the Advanced Course both bookkeeping and accounting terms will be used, and the student will perform the duties of bookkeeper, accountant, and auditor.

RETAIL GROCERY BUSINESS

The following transactions are designed to illustrate a system of bookkeeping for a modern retail grocery business, at first by single-entry, after which will be shown the method of changing from single-entry to double-entry, continuing the business by double-entry, and incidentally showing the use of the card ledger system of bookkeeping.

Single-entry books differ from those used in double-entry bookkeeping chiefly in the fact that a single-entry ledger contains only accounts with persons, all property and loss and gain accounts being omitted.

The principle of equal debits and credits, belonging to double-entry, is not a part of single-entry bookkeeping, and consequently no equality exists between the debit and credit sides of the ledger, and no trial balance can be taken of a single-entry ledger.

An account with cash should be kept in the cash book, as in double-entry bookkeeping, and by means of a bill book it is easy to keep a record of notes receivable and notes payable. A record of merchandise may be kept by the use of an invoice book, or purchase book, and a sales book.

In a well-arranged set of single-entry books it is possible to show as complete a record of the business as in a set of books kept by double-entry; but it will not be in so compact a form, and will require more work on the part of the bookkeeper.

Proof of Posting. — While no trial balance can be taken of a single-entry ledger, the correctness of the posting can be determined with the same degree of accuracy as in a double-entry ledger, by proving the posting. This is done by finding first, the total of the charge postings in the ledger for the month, and the total of the charge entries in the books of original entry, and comparing the two amounts; second, by finding the total of the credit postings, and the total of the credit entries in the books of original entry, and comparing the two amounts. This is called a *proof of posting*.

Books Used. — In order that a complete record of the following business may be obtained by single-entry, the books used will be as follows: journal, cash book, abstract sales book, purchase book, bill book, general ledger, and card ledger, using the card ledger only for customers' accounts. A simpler, but less effective, set of single-entry books would consist of journal, cash book, and ledger.

Journal. — The journal contains such debits and credits to personal accounts as are not entered in the cash book and on the sales sheets, from which the abstract sales book is made up. The abbreviation *Dr.* or *Cr.* is written after the title of the account, in each entry, and the explanation underneath. The form on page 152 illustrates the journal.

Sales Slips. — In most modern grocery stores sales slips are used, and when sales of merchandise on account are made, the slips are written in duplicate by means of carbon paper by the salesman as he takes the order, verbally or from an order book. The form on page 153 illustrates the sales slip.

The original and duplicate sales slips are sent to the office to have the prices O.K.'d. The original is retained by the bookkeeper, and the duplicate is sent with the goods when

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L.P.

General Balance 2.00
 Then received this amount from
 the State when business
 having purchased the stock in
 trade and, and with it the
 made a cash receipt for amount
 being half of the value of said
 stock as shown in inventory

2
 C. H. Decker 5.00
 Place them on note as a pay-
 able at the bank to appear as

4
 to Decker 4.00
 Received in note at 4 days to
 balance due not to set

Thomas H. Decker 30.00
 Took from the stock for blight use
 20.00 Decker 20.00
 20.00 Decker 20.00
 10.00 Decker 10.00

See to Decker 2.00
 Bought of him a delivery man
 to be paid for his services

Thomas H. Decker 2.00
 Received of him for services on
 delivery man

2.00

5.00

4.00

30.00

2.00

| | | | |
|----|---|--------------|------|
| 22 | <i>S. S. Luccombe</i> | <i>Dr.</i> | 54 |
| | <i>Returned as not up to standard</i> | | |
| | <i>1 bale Mocha 125# 25¢</i> | <i>3.125</i> | |
| | <i>1 packet L. H. Tea 70# 40¢</i> | <i>2.80</i> | |
| 27 | <i>Mrs. Wm. Read</i> | <i>Cr.</i> | 3.50 |
| | <i>Returned 1/2 bl. flour not satisfac-</i> | | |
| | <i>tory</i> | | |

delivered, so that the customer receives a complete bill with each lot of goods purchased, and there is little chance for mistakes, or for a dispute, when the weekly or monthly statement is rendered. The bookkeeper enters the amount of each sales slip upon his abstract sales sheet for the day.

Abstract Sales Sheet.—The form on page 154 illustrates a daily abstract sales sheet, in which the names of the customers and the amounts of the sales on account are given, together with the cash sales for the day, and total daily sales.

Many bookkeepers keep an abstract sales book in the form shown on page 155, and post directly from this book to the customer's account in the ledger. A better method is to enter the amount of each sale on account in the abstract sales sheet for the day, and carry only the total of the day's sales to the abstract sales book at the close of each day; and to post daily the items from the sales slip to the customer's monthly statement sheet, and carry only the total of this monthly sheet to the debit of the customer, at the end of the week or month, on his ledger card, or page, in case a book is used instead of cards. This method is preferable, as these sales slips are original entries, and it is to them that reference must be made if any discrepancy exists between an account rendered and the record kept by a customer. The bookkeeper should post these sales slips

SALES SLIP

| THOS. E. SEARS | | | | | |
|---|--------------------|----------|-------------|----------|-------------|
| Rochester, N. Y. Oct 4, 19 | | | | | |
| Name <i>E. M. Parsons</i> | | | | | |
| Address <i>#25 Glasgow St.</i> | | | | | |
| TIME TAKEN | WHEN WANTED | | TRANSACTION | | |
| SALESMAN | ARTICLES | BOXES | JUGS | BROOMS | |
| <i>4</i> | <i>10</i> | <i>1</i> | <i>1</i> | <i>1</i> | |
| 1 | <i>5# Sugar</i> | | | | <i>33</i> |
| 2 | <i>12 Eggs</i> | | | | <i>30</i> |
| 3 | <i>2# Butter</i> | | | | <i>52</i> |
| 4 | <i>1 Bread</i> | | | | <i>0.5</i> |
| 5 | <i>5# Potatoes</i> | | | | <i>1.5</i> |
| 6 | <i>Broom</i> | | | | <i>35</i> |
| 7 | <i>1# Coffee</i> | | | | <i>26</i> |
| 8 | <i>1/2# Tea</i> | | | | <i>30</i> |
| 9 | <i>1 Ketchup</i> | | | | <i>23</i> |
| 10 | <i>1 Molasses</i> | | | | <i>30</i> |
| 11 | | | | | |
| 12 | | | | | <i>2 79</i> |
| 13 | | | | | |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| PLEASE RETURN THIS BILL IN CASE OF ERROR. | | | | | |
| MANUFACTURED UNDER PATENTS OF THE CARTER CRUMB COMPANY, LIMITED, NIAGARA FALLS, N. Y. | | | | | |

ABSTRACT SALES SHEET, *July 1911*

| DATE | NAME | ADDRESS | AMOUNT | DATE | NAME | ADDRESS | AMOUNT |
|---------|----------------------|--------------|--------|---------|----------------------|--------------|--------|
| July 1 | John Doe | 123 Main St. | 10.00 | July 1 | John Doe | 123 Main St. | 10.00 |
| July 2 | John Doe | 123 Main St. | 10.00 | July 2 | John Doe | 123 Main St. | 10.00 |
| July 3 | John Doe | 123 Main St. | 10.00 | July 3 | John Doe | 123 Main St. | 10.00 |
| July 4 | John Doe | 123 Main St. | 10.00 | July 4 | John Doe | 123 Main St. | 10.00 |
| July 5 | John Doe | 123 Main St. | 10.00 | July 5 | John Doe | 123 Main St. | 10.00 |
| July 6 | John Doe | 123 Main St. | 10.00 | July 6 | John Doe | 123 Main St. | 10.00 |
| July 7 | John Doe | 123 Main St. | 10.00 | July 7 | John Doe | 123 Main St. | 10.00 |
| July 8 | John Doe | 123 Main St. | 10.00 | July 8 | John Doe | 123 Main St. | 10.00 |
| July 9 | John Doe | 123 Main St. | 10.00 | July 9 | John Doe | 123 Main St. | 10.00 |
| July 10 | John Doe | 123 Main St. | 10.00 | July 10 | John Doe | 123 Main St. | 10.00 |
| July 11 | John Doe | 123 Main St. | 10.00 | July 11 | John Doe | 123 Main St. | 10.00 |
| July 12 | John Doe | 123 Main St. | 10.00 | July 12 | John Doe | 123 Main St. | 10.00 |
| July 13 | John Doe | 123 Main St. | 10.00 | July 13 | John Doe | 123 Main St. | 10.00 |
| July 14 | John Doe | 123 Main St. | 10.00 | July 14 | John Doe | 123 Main St. | 10.00 |
| July 15 | John Doe | 123 Main St. | 10.00 | July 15 | John Doe | 123 Main St. | 10.00 |
| July 16 | John Doe | 123 Main St. | 10.00 | July 16 | John Doe | 123 Main St. | 10.00 |
| July 17 | John Doe | 123 Main St. | 10.00 | July 17 | John Doe | 123 Main St. | 10.00 |
| July 18 | John Doe | 123 Main St. | 10.00 | July 18 | John Doe | 123 Main St. | 10.00 |
| July 19 | John Doe | 123 Main St. | 10.00 | July 19 | John Doe | 123 Main St. | 10.00 |
| July 20 | John Doe | 123 Main St. | 10.00 | July 20 | John Doe | 123 Main St. | 10.00 |
| July 21 | John Doe | 123 Main St. | 10.00 | July 21 | John Doe | 123 Main St. | 10.00 |
| July 22 | John Doe | 123 Main St. | 10.00 | July 22 | John Doe | 123 Main St. | 10.00 |
| July 23 | John Doe | 123 Main St. | 10.00 | July 23 | John Doe | 123 Main St. | 10.00 |
| July 24 | John Doe | 123 Main St. | 10.00 | July 24 | John Doe | 123 Main St. | 10.00 |
| July 25 | John Doe | 123 Main St. | 10.00 | July 25 | John Doe | 123 Main St. | 10.00 |
| July 26 | John Doe | 123 Main St. | 10.00 | July 26 | John Doe | 123 Main St. | 10.00 |
| July 27 | John Doe | 123 Main St. | 10.00 | July 27 | John Doe | 123 Main St. | 10.00 |
| July 28 | John Doe | 123 Main St. | 10.00 | July 28 | John Doe | 123 Main St. | 10.00 |
| July 29 | John Doe | 123 Main St. | 10.00 | July 29 | John Doe | 123 Main St. | 10.00 |
| July 30 | John Doe | 123 Main St. | 10.00 | July 30 | John Doe | 123 Main St. | 10.00 |
| July 31 | John Doe | 123 Main St. | 10.00 | July 31 | John Doe | 123 Main St. | 10.00 |
| July 31 | Total Sales for Cash | | 300.00 | July 31 | Total Sales for Cash | | 300.00 |

daily to the monthly statement sheets, and when the posting is completed, should file away the sales slips alphabetically, or each day's slips in a separate package, so that they may be readily accessible, should they be required to verify a customer's monthly statement after it has been rendered.

Cash Sales. -- For sales of merchandise for cash, a sales slip is used similar in form to that used for sales on account, as shown on page 153, except that it is receipted when the goods are delivered; or, if the sale is made in the store, the customer is given a cash ticket, which is presented with the money to the cashier, who files the ticket with the cash sales slips on a spindle, or in some other manner. The sum of the amounts of these tickets and of the cash sales slips represents the sum of the cash sales of the day, and should be carried to the Sales for Cash column of the abstract sales book, and also to the debit side of the cash book. (See form of abstract sales book, page 155, and form of cash book, pages 150 and 157.) The sum should also be entered at the end of the abstract sales sheet for the day, as shown above.

In retail stores where a cash or partly cash business is done, the cash register is now quite generally used. This is a combination cash drawer and record machine, and is designed, among other things, to prevent mistakes and fraud in handling the cash. The cash register records the amount of the purchase on a strip within the machine, and at the same time indicates this amount on the outside where it can be easily seen by the customer. The cash in the register at any time should, of course, agree with the record on the strip. Some cash registers have special arrangements for recording and exhibiting the various sources from which the cash is received, and for other information, as "Cash Sales," "Cash Rec'd on Acct.," "Change Sales," etc. A cash register of this kind is generally used in connection with a suitably adapted charge and credit system for customers' accounts.

Abstract Sales Book The abstract sales book contains columns for date, number of daily abstract sales sheet, sales on account, cash sales, total daily sales, total weekly sales, and total monthly sales, so that the book will show at a glance each day's business, both cash and credit, the sum total, and the total sales at the end of each week and month.

ABSTRACT SALES BOOK.

| DATE. | FROM SALES SHEET NO. | SALES ON ACCOUNT. | SALES FOR CASH. | TOTAL DAILY. | TOTAL WEEKLY. | TOTAL MONTHLY. |
|-------|----------------------|-------------------|-----------------|--------------|---------------|----------------|
| Oct 1 | 276 | 4824 | 6372 | 11196 | | |
| 2 | 277 | 14220 | 7545 | 22065 | | |
| 3 | 278 | 7876 | 6444 | 14320 | | |
| 4 | 279 | 3022 | 7224 | 11146 | | |
| 5 | 280 | 6242 | 4827 | 11069 | | |
| 6 | 281 | 1433 | 7828 | 1933 | 5922 | 171 |

It is evident that the sum of the footings of the Sales for Cash and Sales on Account columns of the abstract sales book will at any time show the total sales of merchandise to date.

The above form illustrates the abstract sales book.

In the series of transactions following, the daily abstract sales sheet will be used according to the form shown on page 154, and the abstract sales book will contain only totals, as shown in the above form.

PURCHASE BOOK.

Purchase Book. — The purchase book is an abstract of the invoices of merchandise purchased in the regular course of business. Where the ordinary invoice book is kept, it would be unnecessary to keep the purchase book, since all the records of the purchase book and

Cass

10

a record of all cash paid out; also a special column for merchandise discount allowed on bills paid within the specified date. When such accounts are posted, two debit entries should be made on the personal account affected, one for the merchandise discount, and one for the net amount paid, thus canceling the amount of the invoice. It is not necessary in a single-entry cash book to write the name of the account affected by the transaction, except when it is a personal account, as only accounts with persons are kept in the ledger, and only those entries in the cash book which affect personal accounts will be posted to the ledger.

Customers' Statements. — In most grocery establishments where modern methods are in use, the items from the sales slips are not posted to the ledger account of the customer, but instead are posted directly from the sales slips to a monthly statement sheet, which at the end of the month is handed, or mailed, to the customer, and the total only of this sheet is posted to his account in the ledger. When a statement sheet is handed in with cash to make payment of the account, the sheet is receipted and returned to the customer, who re-

* All balance entries and rulings, of course, are to be in red ink.

there are numerous departments, and where a large number of books would be necessary in order to keep a complete record. The records of the day are made on loose sheets, and these sheets are handed to the head bookkeeper, who places them in properly arranged files, so that the record of each day's business in every department is readily accessible. Out of this system of account keeping has grown what is known as the *card ledger*, a method of keeping ledger accounts on cards which possesses many advantages, among which are the following:

First, the ledger kept by this system contains no accounts with persons who have ceased to do business with the firm, for as soon as a customer closes his account, either by removing from the place, or by transferring his custom to some other business house, his card is taken from the receptacle containing the ledger cards and placed in a file kept for accounts which have been closed. Should the customer return, the card may be taken from this file and replaced in the ledger receptacle. In taking a trial balance, or an abstract of his customers' ledger, therefore, the bookkeeper has only live accounts to deal with, and there is less liability to make mistakes.

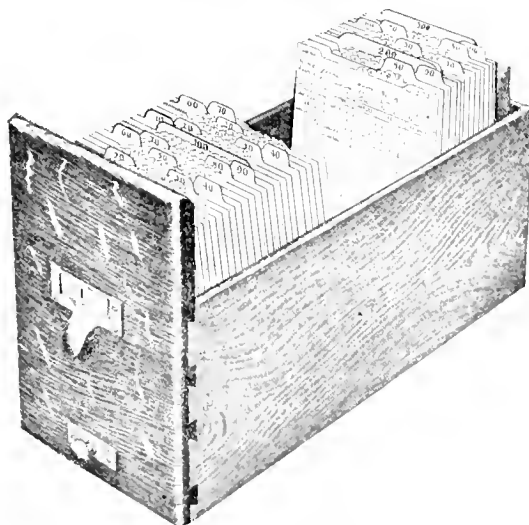
Second, the cards are easily handled, and once the cabinet has been purchased, the ledger can be extended at a small expense, the cards costing little more than ordinary writing paper. In case statements are desired promptly, a ledger of a thousand customers' accounts could be worked upon at the same time by the entire office force, while with a book ledger but one person can work on statements at a time. In case of disputes regarding accounts, where it is necessary to produce the books in court, the ledger card or loose sheet containing the account in dispute can be produced without interfering with the work of the accountants at the office.

An objection sometimes urged against the card system is that it is difficult in posting to find the individual cards, and the cards are liable to get misplaced; but if properly indexed, and carefully placed, there is no difficulty from this source. The cards can be found as readily and as surely as the pages of customers' accounts in an ordinary ledger.

The accompanying cut illustrates the form of a card ledger indexed numerically. If the number of customers is not too large, the alphabetic arrangement is preferable, as it requires no other index. If the business is very extensive, however, it is better to number each customer and divide the ledger into hundreds, then subdivide the hundreds into tens. A small tab at the top of each card is provided for a number, and an index book or a card index is kept for the names corresponding to the numbers.

The card itself does not differ in ruling from the ordinary ledger page. In posting to the ledger card, first enter in the explanation column the dates of the sales slips which make up the customer's statement sheet, then enter the total of the statement in the debit money column. It may require two or three lines of the explanation space to write the dates of the sales slips, but these dates will save a great amount of labor in looking up sales slips from the daily files in case of a disagreement between a customer's account as kept by him and as kept by the bookkeeper. The following cut illustrates a form of ledger card.

FORM OF CARD LEDGER



In this series of transactions the card ledger is used, as explained and illustrated on pages 159, 160.

Take from your package of business forms the blank cards for your customers' card ledger, and enter on the debit side, after the name and address of each person have been written, the amount due, under date of Oct. 1, writing *Balance* in the explanation column. Use the alphabetic arrangement for your card ledger, and keep the ledger cards in the original envelope, in front of the blank cards.

TRANSACTIONS

OCTOBER 1, 19—

Bought of Hackett Bros., City, on account, 60 ds., 2 % 10 ds., 10 brls. N. S. flour at \$5; 10 brls. Redclond at \$4.50; 5 brls. pastry at \$5.50.

Enter your purchases in the purchase book. (See model, page 155.)

Bought of E. J. Dunn Grocery Co., City, 4 mos., 5 % 10 ds., 2 hf. chts. Young Hyson tea, 140 lbs., at 32¢; 2 hf. chts. Oolong, 100 lbs., at 47¢; 2 hf. chts. Eng. Breakfast, 120 lbs., at 30¢; 2 bags Rio coffee, 250 lbs., at 10¢; 1 bale Mocha, 150 lbs., at 22¢; 2 mats Java, 150 lbs., at 21¢.

Bought of the American Sugar Refining Co., New York, on account, 30 ds., 1 % 10 ds., 5 brls., 1565 lbs., G. sugar at 5½¢; 2 brls., 622 lbs., C. sugar at 5¢.

Purchased, for cash, of Gray Bros., City, 20 bu. potatoes at 40¢; 5 brls. apples at \$1.50.

Purchased, for cash, of Williams & Andrews, City, 60 doz. fresh eggs at 20¢; 120 doz. case eggs at 15¢.

The following ten sales slips have been handed in by the salesmen.

No. 1. — Mrs. S. T. Worthen, #26 Laurel St., 3 lbs. butter at 25¢; 12 eggs, 20¢; 1 pk. apples, 20¢; 1 pk. potatoes, 15¢; 1 gal. K. oil, 12¢; 1 lb. M. & J. coffee, 32¢.

Make out a statement sheet for each person named on the sales slips, and enter the items of each day's sales on the statement sheets, allowing a line for each item. Keep your statement sheets in alphabetic order in your large envelope. In actual practice, the statement sheets would be placed in the ledger account file, and at the end of the day the slips would be placed in an envelope or file and marked with the current date, as, *Oct. 1, 19—*, so that if any dispute arose regarding the sales slips, they could be readily referred to. (See model of statement sheet, page 158; see illustration of ledger account file, page 158.) No entry for a sale is made in the books.

The grocer who keeps his books in the old style enters all his credit sales on a blotter, posts from the blotter to the ledger, and makes out his statements from the ledger at the end of the month. The modern grocer posts the sales slips directly to the customers' monthly statement sheets, and at the end of the month the statements are ready for the customers, as the bookkeeper should do his posting at the end of each day. The footings only of the statement sheets are carried to the customers' ledger.

No. 2. — A. B. Ryder, #61 Spring St., 1 lb. E. B. tea, 60¢; 1 lb. M. & J. coffee, 32¢; 1 pkg. gelatine, 15¢; 2 lbs. raisins at 16¢; 10 lbs. butter at 23¢; 12 S. F. eggs, 24¢.

No. 3. — C. H. Stratton, Elm House, 1 tub butter, 40 lbs., at 22¢; 10 doz. case eggs at 18¢; 2 brls. apples at \$1.75; 1 brl. N. S. flour, \$5.50; 4 sacks pastry flour at \$1.50.

No. 4. — Mrs. Wm. Hanson, #28 Summer St., 2 pkgs. rolled oats at 12½¢; 2 pkgs. Germea at 15¢; 5 doz. case eggs at 18¢; 6 cans tomatoes at 10¢; 6 cans corn at 10¢; 20 lbs. G. sugar at 6¢; 2 lbs. Rio coffee at 20¢; ½ lb. W. pepper at 40¢.

No. 5. — Wm. Harper, #62 East St., 2 lbs. butter at 26¢; 1 box boneless codfish, 45¢; 1 can tomatoes, 10¢; 1 bu. potatoes, 60¢; 1 pk. apples, 20¢; 1 lb. Y. H. tea, 50¢.

No. 6. — Edward Austin, # 31 Green St., 1 brl. N. S. flour, \$5.50; 2 lbs. cream cheese at 10¢; 1 lb. Y. H. tea, 50¢; 12 S. F. eggs, 24¢; 5 gals. K. oil at 13¢.

No. 7. — Mrs. F. Giltford, # 44 Brown St., 12 S. F. eggs, 24¢; 2 lbs. butter at 20¢; 1 pk. potatoes, 15¢; 1 head cabbage, 6¢; 2 bunches beets at 5¢; 1 pkg. Germea, 15¢; 5 cakes Ivory soap at 5¢; 5 lbs. rice at 10¢; 1 gal. molasses, 60¢.

No. 8. — Edward L. Corey, # 54 Brown St., 1 broom, 35¢; $\frac{1}{2}$ gal. maple sirup at \$1.25; 1 can tomatoes, 10¢; 1 bu. potatoes, 60¢; 1 brl. apples, \$2.

No. 9. — Mrs. A. Waldron, # 82 Chestnut St., 2 lbs. butter at 20¢; 1 lb. cheese, 16¢; 1 sack pastry flour, \$1.50; 1 pkg. Germea, 15¢; 12 S. F. eggs, 20¢; 1 pkg. H. O. pancake, 10¢; 1 qt. maple sirup, 35¢.

No. 10. — P. J. McGuire, Cottage Hotel, # 52 Ann St., 1 lb. M. & J. coffee, 32¢; 1 wash-board, 50¢; 1 lb. raisins, 10¢; 1 bottle bluing, 10¢; 1 broom, 30¢; 1 pkg. rolled oats, 13¢; 12 oranges, 35¢.

The amount of cash sales, as shown by the cash tickets handed in by the salesmen and the customers, is \$121.45. Enter this amount in the cash book, on the debit side, with the explanation, *Cash sales, as per tickets.*

Enter the total of each customer's sales slip against the customer's name on an abstract sales sheet, dated Oct. 7, and numbered 7; also enter the total cash sales underneath, and carry these amounts to the proper columns of the abstract sales book. (See models, pages 154 and 155.) File the abstract sales sheets in numeric order in your large envelope.

Paid cash as follows: Books and stationery, \$6.25; postage stamps, \$1; one month's rent in advance, \$50; merchandise purchased of Gray Bros., \$15.50; merchandise purchased of Williams & Andrews, \$30. Enter in the cash book. (See form, pages 157.)

Balance your cash book, entering the difference in red ink on the credit side. Bring down the balance on the left-hand, or debit, side, in the second column, under date of Oct. 8. In this series of transactions the cash book will be balanced at the close of each day's business, in accordance with the custom in actual retail business.

OCTOBER 8, 19

Purchased of S. M. Crockett & Co., City, on account, 30 days, 3% 10 ds., 5 doz. tomato ketchup at \$1.50; 1 gro. bluing, \$7.50; 3 doz. brooms at \$2.

Purchased of Gray Bros., for cash, 50 heads cabbage at 4¢; 60 bunches beets at 2¢.

Bought, for cash, from wagons, 20 doz. S. F. eggs at 20¢; 60 lbs. cream cheese at 12¢.

The following sales slips have been handed in by the salesmen.

No. 1. — Mrs. S. T. Worthen, 10 lbs. G. sugar at $6\frac{1}{2}$ ¢; 1 bottle bluing, 10¢; 2 lbs. cheese at 10¢; 1 lb. Y. H. tea, 50¢.

No. 2. — Wm. Harper, 1 lb. M. & J. coffee, 32¢; 1 brl. N. S. flour, \$5.75; 2 qts. molasses at $12\frac{1}{2}$ ¢; 5 cakes Ivory soap at 5¢.

No. 3. — A. B. Ryder, 10 lbs. G. sugar at $6\frac{1}{2}$ ¢; 1 pkg. R. oats, 12¢; 1 pk. potatoes, 15¢; 5 gals. K. oil at 13¢; 5 lbs. lard at 12¢.

No. 4. — Mrs. F. Giltford, 10 lbs. G. sugar at $6\frac{1}{2}$ ¢; 1 lb. M. & J. coffee, 32¢; $1\frac{1}{2}$ lbs. cheese at 10¢; 1 sack flour, \$1.50; 1 can corn, 10¢; 1 can tomatoes, 10¢; 1 broom, 35¢.

No. 5. — E. B. Woods, # 44 Laurel St., 2 lbs. print butter at 30¢; 1 bu. potatoes, 60¢; 1 pk. apples, 20¢; 12 bananas, 20¢; 5 lbs. G. sugar at $6\frac{1}{2}$ ¢; 1 lamp chimney, 10¢; 1 brl. N. S. flour, \$5.75.

No. 6. — Edward Austin, 10 lbs. tub butter at 24¢; 1 lb. M. & J. coffee, 32¢; 5 lbs. lard at 12¢; 1 broom, 35¢; 10 lbs. G. sugar at $6\frac{1}{2}$ ¢; 3 lbs. codfish at 15¢.

No. 7. — Mrs. A. Waldron, 1 brl. apples, \$2.25; 10 lbs. lard at 12¢; 10 lbs. sugar at 6½¢; 2 lbs. Rio coffee at 20¢; 1 lb. Y. H. tea, 50¢.

No. 8. — C. H. Stratton, Elm House, 10 bu. potatoes at 55¢; 1 hf. cht., 50 lbs., E. B. tea at 50¢; 1 bale, 125 lbs., M. & J. coffee at 30¢; 5 doz. S. F. eggs at 22¢; 1 case Germea, 36 pkgs., \$4.50; 1 brl. oatmeal, \$4.75; 1 bx. prunes, 50 lbs., \$6.

No. 9. — Chas. A. Dodge, #57 Chestnut St., 1 lb. E. B. tea, 60¢; 1 lb. M. & J. coffee, 32¢; 6 lemons, 18¢; 12 S. F. eggs, 24¢; 1 brl. flour, \$5.75; 5 lbs. lard at 12¢.

No. 10. — P. J. McGuire, Cottage Hotel, 1 gal. vinegar, 25¢; 1 brl. N. S. flour, \$5.75; 5 lbs. butter at 24¢; 2 cans C. milk at 15¢; 1 bottle O. oil, 75¢; 1 bunch celery, 15¢; 1 can chicken, 40¢.

Cash sales for the day, per cash tickets, \$214.12. (Abstract sales sheet and cash book.)

Do not forget to make proper entries on a daily abstract sales sheet (No. 2), and also in the abstract sales book. Number the abstract sales sheets consecutively.

Received cash from customers as follows: Mrs. F. Gilford, \$21.39; P. J. McGuire, \$50; Wm. Harper, \$18.49; Mrs. Wm. Hanson, \$20. (See form, page 156.)

Deposited \$550.

In this set you will not be required to use a check book, but will keep an account with the bank on last page of your Blank No. 1. Head this page, *Account with City Bank*. Write the date the same as in the cash book; in the first explanation space write *Deposit*; in the second explanation space, *Currency*; in the first money column the amount, \$550. When a check is called for in the transactions, write the date, the name of the party to whom the check is given in the first explanation space, for what given in the second explanation space, and carry the amount into the second, or right-hand money column. The difference at any time between the two money columns will show the amount of cash in bank.

Paid cash as follows: (Checks) Hackett Bros., invoice of Oct. 1, less 2% (enter merchandise discount on credit side of cash book, in first column, and net amount of bill in second column); E. J. Dunn Grocery Co., invoice of Oct. 1, less 5%. (Currency) Gray Bros., invoice of even date, \$3.20; merchandise purchased from market wagons, \$11.20; salaries, Stuart, \$12; Canfield, \$12; Marsh, \$20; freight, \$3.42.

Balance your cash book, and bring down the amount the same as in double-entry.

OCTOBER 15, 19—

Bought of Park & Tilford, New York, net 2 mos., 3 10, merchandise as per invoice, \$287.90.

Bought of S. S. Pierce & Co., Boston, net 2 mos., 2 10, merchandise as per invoice, \$468 32.

Purchased of St. Louis Milling Co., St. Louis, net 4 mos., 5 10, merchandise as per invoice, \$450.

Purchased of Gray Bros., City, for cash, 50 heads cabbage at 4¢; 1 bu. turnips, 45¢; 80 brls. apples at \$2.

Purchased of Trent Commission Co., City, for cash, 4 tubs C. butter, 200 lbs. at 17¢; 10 baskets late peaches at 65¢.

The following sales slips have been handed in by the salesmen.

No. 1. — C. H. Stratton, Elm House, 1 pail mackerel, 20 lbs., \$4.25; 1 tub lard, 60 lbs., at 10¢; 1 doz. tomato ketchup, \$2.25; 6 doz. S. F. eggs at 22¢; 4 sacks pastry flour at \$1.50; 1 brl. N. S. flour, \$5.50.

No. 2. — Mrs. S. T. Worthen, 1 brl. apples, \$2.50; 1 bu. potatoes, 60¢; 5 lbs. butter at 25¢; 12 S. F. eggs, 24¢; 1 lb. M. & J. coffee, 32¢.

No. 3. Mr. Wm. Harper, 20 lbs. G. sugar at $6\frac{1}{2}\text{¢}$; 10 lbs. lard at 12¢ ; 3 cans corn at 10¢ ; 1 lb. E. B. tea, 60¢ ; 4 lbs. raisins at 15¢ ; 1 broom, 35¢ .

No. 4. — E. L. Corey, 1 brl. flour, $\$5.75$; 10 lbs. tub butter at 24¢ ; $\frac{1}{2}$ lb. pepper at 40¢ ; 1 box sardines, 35¢ ; 12 pickles, 15¢ .

No. 5. — P. J. McGuire, Cottage Hotel, 1 case, 36 cans, tomatoes at 8¢ ; 1 case, 36 cans, corn at 8¢ ; 1 tub lard, 40 lbs., at 11¢ ; 1 brl., 212 lbs., sugar at 6¢ ; 3 doz. lemons at 25¢ .

No. 6. — E. B. Woods, 1 brl. apples, $\$2.50$; 1 lb. E. B. tea, 60¢ ; 1 lb. M. & J. coffee, 32¢ ; 5 lbs. print butter at 30¢ ; 1 clothesline, 30¢ .

No. 7. — Chas. A. Dodge, 20 lbs. tub butter at 24¢ ; 1 bu. potatoes, 60¢ ; 1 sack pastry flour, $\$1.50$; 1 gal. M. sirup, $\$1.25$; 1 jug, 15¢ .

No. 8. — Mrs. F. Giltford, 1 bu. potatoes, 60¢ ; 2 pkgs. shredded wheat biscuit at $12\frac{1}{2}\text{¢}$; 10 lbs. tub butter at 24¢ ; 1 ham, 12 lbs., at $12\frac{1}{2}\text{¢}$; 12 S. F. eggs, 25¢ .

No. 9. — Mrs. A. Waldron, 1 brl. N. S. flour, $\$5.75$; 5 lbs. tub butter at 24¢ ; 1 lb. E. B. tea, 60¢ ; 1 broom, 35¢ ; 1 pkg. gelatine, 15¢ ; 1 pkg. Cream of Wheat, 15¢ .

No. 10. — Edward Austin, 12 S. F. eggs, 25¢ ; 1 brl. apples, $\$2.25$; 1 bu. potatoes, 60¢ ; 1 can salmon, 24¢ ; 1 bottle O. oil, 35¢ ; 1 head lettuce, 5¢ .

No. 11. — Mrs. Wm. Hanson, 1 brl. N. S. flour, $\$5.75$; 1 bu. potatoes, 60¢ ; 20 lbs. G. sugar at $6\frac{1}{2}\text{¢}$; $\frac{1}{4}$ chl., 18 lbs., Y. H. tea at 45¢ .

No. 12. — A. B. Ryder, 1 brl. N. S. flour, $\$5.75$; 1 bu. potatoes, 60¢ ; 1 brl. apples, $\$2.25$; 1 bottle ketchup, 22¢ ; 1 qt. beans, 10¢ ; 1 lb. pork, 12¢ .

Cash sales for the day, per cash tickets, $\$184.00$.

Received cash from customers as follows: Mrs. S. T. Worthen, Sept. account, $\$23.45$; A. B. Ryder, $\$44.28$; Wm. Harper, $\$20$; Edward Austin, $\$28.74$; E. L. Corey, $\$18.96$; Mrs. Wm. Hanson, $\$11.42$.

Received of C. H. Stratton his note at 4 mos., with interest, for $\$212.40$, to balance his account to Oct. 1st. (Enter in journal and bill book.)

Had your note at 90 days for $\$100$ discounted at the City Bank, and received credit for the net proceeds.

Deposited $\$125$.

Paid cash as follows: (Checks) second-hand safe, purchased of Diebold Safe Co., $\$100$; S. M. Crockett & Co., invoice of 8th inst., less 3% ; American Sugar Refining Co., invoice of Oct 1, less 1% ; Gray Bros., invoice of even date, $\$162.45$; Trent Commission Co., invoice of even date, $\$40.50$. (Currency) office desk and fixtures, $\$30$; salaries, Stuart, $\$12$; Marsh, $\$20$; Canfield, $\$12$; freight, $\$57.42$.

(Student) drew cash for private use, $\$50$.

Remember to balance your cash book.

OCTOBER 22, 19--

Purchased of Gray Bros., City, for cash, 10 brls. apples at $\$2$; 50 bu. potatoes at 45¢ ; 30 doz. case eggs at 15¢ .

Bought for cash, from market wagons, 40 doz. S. F. eggs at 22¢ ; 50 hds. cabbage at 5¢ ; 400 lbs. squash at 1¢ .

Bought of American Sugar Refining Co., 30 ds., $1/10$, merchandise as per invoice, $\$124.72$.

Bought of S. S. Pierce & Co., Boston, net 60, $3/10$, merchandise as per invoice, $\$408.75$.

Purchased of F. H. Leggett & Co., New York, net 60, $3/10$, merchandise as per invoice, $\$344.70$.

The following sales slips have been handed in by the salesmen.

No. 1. — A. B. Ryder, 1 pail mackerel, 20 lbs., \$3.75; 1 sack pastry flour, \$1.50; 12 S. F. eggs, 25¢; 1 box cigars, \$5.50; 5 lbs. coffee at 30¢; 12 oranges, 35¢.

No. 2. — Mrs. Wm. Hanson, 1 bx., 5 lbs., codfish at 12¢; 1 ham, 18 lbs., at 12½¢; 1 case C. corn, 36 cans, at 8¢; 1 case C. tomatoes, 36 cans, at 8¢; 4 sacks pastry flour at \$1.50; 2 brooms at 30¢.

No. 3. — Edward Austin, 1 ham, 12 lbs., at 12½¢; 12 eggs, 25¢; 10 lbs. G. sugar at 6½¢; 2 lbs. coffee at 32¢; 1 sack pastry flour, \$1.50; 1 bottle bluing, 10¢; 1 can chicken, 40¢.

No. 4. — Mrs. A. Waldron, 1 can chicken, 40¢; 1 bunch celery, 15¢; 1 bottle O. oil, 75¢; 1 5-lb. can coffee, \$1.50; 1 lamp, 50¢; 5 gals. K. oil at 13¢; 1 clothesline, 30¢.

No. 5. — Mrs. F. Gilford, 1 brl. N. S. flour, \$5.75; 1 can tongue, 75¢; 5 bars I. soap at 5¢; 1 bottle ketchup, 22¢; 10 lbs. G. sugar at 6½¢.

No. 6. — Chas. A. Dodge, 5 lbs. lard at 12¢; 1 ham, 15 lbs., at 12½¢; 5 gals. K. oil at 13¢; 1 box cigars, \$2.50; 1 broom, 35¢; 12 eggs, 25¢; 12 bananas, 25¢.

No. 7. — Mrs. S. T. Worthen, 1 cake Sapolio, 10¢; 2 lbs. coffee at 32¢; 5 lbs. lard at 12¢; 1 brl. N. S. flour, \$5.75; 12 bananas, 25¢.

No. 8. — C. H. Stratton, Elm House, 500 cigars at \$35 per M.; 200 cigars at \$55 per M.; 1 ham, 20 lbs., at 12¢; 1 brl. N. S. flour, \$5.50; 6 doz. S. F. eggs at 22¢; 20 doz. case eggs at 16¢; 1 tub butter, 52 lbs., at 22¢; 1 brl. G. sugar, 216 lbs., at 6¢; ½ cht. Y. H. tea, 60 lbs., at 40¢.

No. 9. — Wm. Harper, 1 sack pastry flour, \$1.50; 10 lbs. tub butter at 24¢; 2 lbs. cheese at 16¢; 5 gals. K. oil at 13¢; 1 brl. apples, \$2.50; 12 oranges, 35¢.

No. 10. — E. L. Corey, 1 ham, 16 lbs., at 12½¢; 20 lbs. G. sugar at 6½¢; 1 lamp, 40¢; 1 5-lb. can coffee, \$1.50; 3 gals. K. oil at 15¢.

No. 11. — P. J. McGuire, Cottage Hotel, 200 cigars at \$35 per M.; 1 brl. N. S. flour, \$5.50; 1 doz. T. ketchup, \$2; 1 tub butter, 50 lbs., at 22¢; ½ cht. Y. H. tea, 60 lbs., at 40¢; 5 gals. K. oil at 13¢; 1 lb. baking powder, 50¢.

No. 12. — E. B. Woods, 1 sack pastry flour, \$1.50; 2 lbs. Rio coffee at 20¢; 5 lbs. lard at 12¢; 1 lb. chocolate, 30¢; 1 can tongue, 75¢; 1 bottle Worcestershire, 40¢; 1 pail mackerel, 10 lbs., \$2.25.

Cash sales for the day, per cash tickets, \$242.36.

Received cash from customers as follows: P. J. McGuire, \$50; Mrs. A. Waldron, \$20.

Had your note at 4 mos. for \$500 discounted at the City Bank, and received credit for the net proceeds.

Deposited \$225.

Paid cash as follows: (Checks) Park & Tilford, invoice of 15th inst., \$287.00, less 3%, St. Louis Milling Co., invoice of 15th, \$450, less 5%. (Currency) Gray Bros., \$47; goods from market wagons, \$15.30; freight and cartage, \$11.32; salaries, Canfield, \$12; Stuart, \$12; Marsh, \$20.

OCTOBER 29, 19—

Is your cash book balanced?

Purchased of Williams & Andrews, City, for cash, 2 bxs. oranges at \$3.50; 2 bxs. lemons at \$3; 4 tubs Cr. butter, 240 lbs., at 10¢; 5 bxs. cheese, 252 lbs., at 11¢.

Purchased of Cobb, Bates & Yerxa, Boston, subject to sight draft in 10 days, merchandise as per invoice, \$262.74.

Bought of Park & Tilford, New York, net 60, 2 10, merchandise as per invoice, \$68.74.

Bought of F. H. Leggett, New York, net 4 mos., 3-10, merchandise as per invoice, \$168.04.

Purchased of S. S. Pierce & Co., Boston, net 60, 3-10, merchandise as per invoice, \$88.45.

Purchased, for cash, country produce amounting to \$16.42.

The following sales slips have been handed in by the salesmen.

No. 1. — E. B. Woods, 20 lbs. tub butter at 22¢; 15 lbs. G. sugar at 6½¢; 5 gals. K. oil at 13¢; ¼ cht. Y. H. tea, 15 lbs., at 40¢; 1 lb. baking powder, 50¢.

No. 2. — P. J. McGuire, Cottage Hotel, 2 hams, 47 lbs., at 12¢; 1 brl. oatmeal, \$4.75; 1 case Cr. of Wheat, 36 pkgs., at 12½¢; 6 brooms at 25¢; 6 doz. oranges at 25¢; 3 doz. lemons at 20¢.

No. 3. — E. L. Corey, 1 gal. maple sirup, \$1.25; 5 bu. potatoes at 60¢; 1 broom, 35¢; 1 can ox tongue, 75¢; 1 bx. mustard, 15¢.

No. 4. — Wm. Harper, 1 ham, 18 lbs., at 12½¢; 3 cans peaches, 50¢; 5 lbs. coffee at 30¢; 10 lbs. G. sugar at 6½¢; 1 bx. gelatine, 15¢; 12 oranges, 35¢.

No. 5. — C. H. Stratton, Elm House, 1 tub lard, 54 lbs., at 10¢; 20 lbs. print butter at 23¢; 10 doz. S. F. eggs at 24¢; 1 case Germea, 36 pkgs., at 12½¢; 12 bxs. sardines at 25¢; 1 bx. lemons, \$4.50; 1 brl. pastry flour, \$6; 1 ham, 24 lbs., at 12¢; ¼ cht. E. B. tea, 15 lbs., at 50¢.

No. 6. — Mrs. S. F. Worthen, 20 lbs. G. sugar at 6½¢; 5 lbs. Y. H. tea at 45¢; 1 can ox tongue, 75¢; 6 lemons, 15¢; 5 gals. K. oil at 13¢.

No. 7. — A. B. Ryder, ¼ cht. E. B. tea, 15 lbs., at 50¢; 1 bu. potatoes, 60¢; 12 S. F. eggs, 26¢; 1 lamp chimney, 10¢; 1 can tomatoes, 10¢; 1 ham, 14 lbs., at 12½¢.

No. 8. — Mrs. Wm. Hanson, 1 brl. N. S. flour, \$5.75; 25 lbs. oatmeal at 5¢; 1 pail mackerel, 10 lbs., \$2.25; 1 brl. apples, \$2.50; 20 lbs. G. sugar at 6½¢; 5 gals. K. oil at 13¢.

No. 9. — Edward Austin, 12 S. F. eggs, 26¢; 5 lbs. E. B. tea at 50¢; 10 lbs. tub butter at 22¢; 1 bx. mustard, 15¢; 2 cans corn at 10¢.

No. 10. — Mrs. A. Waldron, 3 lbs. print butter at 26¢; 1 sack pastry flour, \$1.50; 1 ham, 12 lbs., at 12½¢; 10 lbs. G. sugar at 6½¢; 1 gal. molasses, 40¢; 1 lb. baking powder, 50¢.

No. 11. — Mrs. F. Gilford, 5 gals. K. oil at 13¢; 1 brl. apples, \$2.75; 5 lbs. coffee at 30¢; 1 lamp, 35¢; 1 broom, 30¢; ¼ gr. matches, 25¢.

No. 12. — Chas. A. Dodge, 12 S. F. eggs, 26¢; 1 lb. coffee, 32¢; 1 brl. apples, \$2.50; 1 wash tub, \$1.10; 1 lb. chocolate, 30¢.

Cash sales for the day, per cash tickets, \$216.48.

Received cash as follows: P. J. McGuire, \$50; Mrs. A. Waldron, \$10.

Deposited \$150.

Paid cash as follows: (Checks) Williams & Andrews, invoice of even date, \$86.32; 5 tons coal, \$25. (Currency) salaries, Canfield, \$12; Stuart, \$12; Marsh, \$20; country produce, \$16.42; freight, \$6.88.

Gave S. S. Pierce & Co., Boston, your note at 20 days, dated Oct. 25th, with interest, for amount of invoice of Oct. 15th, less 2%.

Posting. You will now post your books. Remember that in single-entry you post only such transactions as affect personal accounts, and that only personal accounts appear in either the general ledger or the card ledger.

The card ledger debits will be taken entirely from the statement sheets. Remove these statements from the file, and post only the totals to the corresponding cards of the card ledger, placing the date of each sale in the explanation space. (See model ledger card, page 160.) Remember to keep your card ledger in alphabetic order.

STATEMENT OF RESOURCES AND LIABILITIES

HENRY T. BROWN, OCTOBER 31, 19—

| RESOURCES | | | | |
|---|------|----|-------------|-----------|
| Cash, balance on hand, | 253 | 72 | | |
| Merchandise, per inventory, | 3491 | 18 | | |
| Furniture and fixtures, | 250 | 00 | | |
| Notes receivable, per bill book, | 197 | 25 | | |
| Accounts receivable, per card ledger, as under: | | | | |
| Mrs. S. T. Wood, | 25 | 10 | | |
| H. B. Runyon, | 36 | 25 | | |
| John Stratton, | 114 | 87 | | |
| Mrs. Wm. Howard, | 175 | 23 | | |
| Wm. Harper, | 212 | 15 | | |
| Charles Kennedy, | 25 | 20 | | |
| Edward L. Corlis, | 13 | 10 | | |
| Mrs. A. Wallace, | 45 | 12 | | |
| P. J. McGuire, | 26 | 30 | | |
| Mrs. Fred Young, | 52 | 10 | | |
| E. B. Woodruff, | 29 | 75 | | |
| Charles Doyle, | 18 | 50 | | |
| Total resources | | | 4965 | 82 |
| LIABILITIES | | | | |
| Notes payable, per bill book, | 985 | 95 | | |
| Accounts payable, per general ledger, as under: | | | | |
| Adams & Hackland, | 482 | 35 | | |
| American Sugar Refining Co., | 216 | 20 | | |
| Park & Tilford, | 75 | 68 | | |
| J. J. Powers Co., | 517 | 22 | | |
| F. H. Leggett & Co., | 351 | 46 | | |
| Cobb, Bates & Young, | 162 | 47 | | |
| Total liabilities | | | 2791 | 33 |
| <i>Present Worth,</i> | | | <u>2174</u> | <u>49</u> |

The card ledger credits will be found on the debit side of the cash book and in the journal. Turn to your cash book and post all cash entries which affect the accounts of persons whose names appear in the card ledger. (See form, page 160.) Place a check mark against each name in the cash book. Turn to your journal and post any items which may affect customers' accounts, placing a check mark against each item to indicate posting.

Your own account and the accounts with those business concerns of whom you purchase goods, and all other personal accounts, except those with customers, will be kept in the general ledger, and the postings to these accounts will be made from the journal, the purchase book, and the cash book. Open these accounts in your general ledger (Blank No. 2). Allow one third of a page to each account beginning on page 2 of the blank. Use the first page of the blank for an alphabetic index to your general ledger. Index an account immediately after it is opened.

Post from the purchase book the amount of each invoice of goods bought on account, to the credit of the account named; then post from the journal and the cash book such items as should be carried to these accounts. Place a check mark against each cash item. See explanation of cash book, page 156.

Foot and rule the purchase book and the abstract sales book.

Having completed your posting, prove the same (see Proof of Posting, page 151).

Make an abstract of your card ledger on a sheet of paper, showing the amount due from each customer, and total amount due.

From your bill book find the amount of the notes receivable in your possession, and from your cash book find the amount of cash on hand and in bank.

From your general ledger find the amount due your creditors, and from your bill book the amount of notes you have outstanding.

Your inventory shows the following:

Merchandise on hand, valued at \$4400 00.

Furniture and fixtures, " " 125 00.

From the above data prepare a statement of resources and liabilities, according to the model on page 167.

Find the net gain or the net loss according to the form given below.

PROPRIETOR'S STATEMENT

OCTOBER 31, 19—

| | | | |
|-----------------|-------------------|------|---------------|
| Henry T. Brown, | Invested | 2500 | |
| " | withdrawn | 250 | |
| " | net investment | | 2250 |
| " | present worth | | 2174 49 |
| | <i>* Net Loss</i> | | <u>325 51</u> |

Carry the net loss shown in your proprietor's statement to the debit side of the proprietor's account in the ledger, and close the account in the same way as in double-entry, bringing the balance down under the date *Nov. 1*.

* In this and other printed models, words and amounts that should be written in red ink are indicated by the use of italic type.

RETAIL GROCERY BUSINESS — Continued

PRELIMINARY WORK ADMISSION OF PARTNER AND CHANGE TO DOUBLE-ENTRY

NOVEMBER 1, 19—

The business of the past month has shown a small loss, but as the sales are increasing, you have decided to continue the business and take a partner, J. M. Marsh, your present delivery clerk, and to add a department of meats, fish, and poultry to your grocery business.

You have decided to keep the books by double-entry and to put them into double-entry form before forming the partnership. No new books will be required.

Changing from Single- to Double-Entry. — To change a set of books from single- to double-entry it is only necessary to open such new accounts in the ledger as shall cause it to exhibit all the resources and liabilities as shown by the statement of resources and liabilities.

From your statement of resources and liabilities of October 31 make an entry in the journal, similar to an opening entry, according to the following model.

NOVEMBER 1, 19—

| | | | | |
|---|---------------------------------|-----------------------------------|---------|---------|
| ✓ | Cash | per cash book | 345 26 | |
| | Merchandise | per inventory | 4837 63 | |
| | Furniture and Fixtures | valued at | 275 | |
| | Notes Receivable | per bill book | 182 31 | |
| ✓ | Accounts receivable | per card ledger | 489 25 | |
| | Notes Payable | per bill book | | 1085 75 |
| ✓ | Accounts payable | per general ledger | | 2965 87 |
| ✓ | John D. Bruce | present worth | | 2047 83 |
| | This entry made to change books | from single-entry to double-entry | | |

In posting the opening entry check but do not post the personal accounts, including the proprietor's account, as they are already debited and credited with the proper amounts; the customers' accounts in the card ledger, and the creditors' and proprietor's accounts in the general ledger. Do not post Cash account, as that account is already shown in the cash book; check the item. The only accounts to be posted from the opening entry are Merchandise, Furniture and Fixtures, Notes Receivable, and Notes Payable. Open these accounts in the general ledger, allowing one third of a page for each, and post.

Notes Receivable and Notes Payable are the ledger titles now used by most accountants for accounts with both notes and drafts, instead of the old titles, Bills Receivable and Bills Payable. You will use the new titles hereafter in your work.

The debits and credits should now be equal, and to prove this you should take a trial balance, including the balance of cash as shown in your cash book, and the balance of customers' accounts as shown in your card ledger. Your books are now ready to be kept by double-entry. The journal and cash book are to be kept as in earlier work in double-entry. Hereafter, in order to have the merchandise account show the purchases and sales for each month, the footing of the Amount of Invoice column of the purchase book should be posted to the debit of Merchandise at the end of the month, as it shows all purchases of merchandise; and the footing of the Monthly Sales column of the abstract sales book should be posted to the credit of Merchandise, as it shows all the sales of merchandise.

By agreement with J. M. Marsh, your partner, the new firm takes over all the resources and assumes all the liabilities of your present business, and Marsh invests property of equal value as described on the following page.

Articles of copartnership have been drawn up by your attorney and executed by you and your partner, showing the investment of each partner, and containing the following conditions:

You (Student) shall act as bookkeeper and cashier, and shall have general charge of the inside management of the store; shall receive all cash, sign all notes, checks, and other negotiable instruments of the firm, and attend to the purchase of all groceries.

J. M. Marsh shall have charge of the delivery of goods, the taking of orders, with such assistance as may be necessary, and shall attend to the buying of all country produce and provisions.

Each partner shall give his entire time to the business, and shall be entitled to draw, for living expenses, cash not to exceed \$100 per month, or its equivalent in goods from the store at cost.

The profits and losses of the business shall be divided equally at the end of each year, or at such period as the books may be closed.

A bill of sale has been drawn up by your attorney and executed by you, disposing of your entire resources to the firm of (Student) & Marsh, subject to the payment of your liabilities as shown by your statement of October 31. This bill of sale represents your investment in the new firm.

The firm of (Student) & Marsh will continue to use the same set of books as were previously used in the business, and the ledger already contains the accounts representing your investment. You should now make the proper entries for the investment of J. M. Marsh, which the firm receives from him as follows:

Note in his favor, dated Sept. 4, at four months from date, signed by Edward W. Lawrence, indorsed by E. W. Lynch. Face of note, \$642.68; discount for unexpired time, \$10.00.

Note in his favor, dated Sept. 10, at four months, with interest, signed by George M. Kelly, indorsed by Wm. H. Kelly & Co. Face of note, \$622.85; interest due on note to date, \$4.46.

Horse, wagon, and harness, now used for delivering goods, valued at \$250.

Cash \$578.37, which is the balance necessary to make his investment equal your own present worth, as shown by your statement of October 31.

Following are model forms for the necessary journal and cash book entries.

1

John D. Bruce and Arthur Lyman have this day formed a partnership under the firm name of Bruce & Lyman, to take over and continue the business heretofore conducted by said John D. Bruce.

The investment of Bruce is represented by the resources of his former business, which he has transferred to the firm, less his liabilities which are assumed by the firm, as shown by above entry.

The investment of Lyman is represented by the following entry:

| | | | |
|-------------------|---------------------|---------|---------|
| Notes Receivable | per bill book | 500 | |
| Interest | on above | 3 75 | |
| Horses and Wagons | valued at | 225 | |
| A Cash | per cash book | 1321 38 | |
| Discount | on notes receivable | | 2 50 |
| Arthur Lyman | net investment | | 2747 83 |

CASH

| | | | |
|------|---|----------------|----------|
| 19 | | | |
| Nov. | 1 | A Arthur Lyman | invested |
| | | | 1321 38 |

You are now ready to proceed with the second month's work in the retail grocery business.

TRANSACTIONS

NOVEMBER 1, 19—

Engaged Geo. Carter as meat cutter, at \$15 per week, and Willis Holt as driver and order clerk, at \$15 per week.

Purchased of Armour & Co., Chicago, 30 ds., 2 10, dressed meat, as per invoice, \$132.21.

Purchased of Swift & Co., Chicago, 30 ds., 2 10, beef, mutton, and lard, as per invoice, \$142.38.

Bought of Gray Bros., City, for cash, 5 tubs butter, 212½ lbs., at 20¢; 2 bxs. cheese, 104 lbs., at 11¢.

Bought of E. J. Dunn Grocery Co., City, 4 mos., 5 10, 2 hf. chts. Japan tea, 120 lbs., at 25¢; 2 hf. chts. E. B. tea, 120 lbs., at 32¢; 2 bales Mocha coffee, 300 lbs., at 25¢; 2 mats Java coffee, 150 lbs., at 26¢; 1 pail cinnamon, 25 lbs., at 25¢.

Purchased of M. S. Newton & Sons, Boston, 30 ds., 2 10, fish, as per invoice, \$18.39.

Bought country produce from market wagons, for cash, \$18.44.

The following sales slips have been handed in by the salesmen.

No. 1. — Chas. A. Dodge, 8 lbs. rib roast at 16¢; 20 lbs. G. sugar at 6½¢; 12 lemons, 25¢; 1 brl. Graham flour, \$5.25; 1 bx. macaroni, 35¢; 1 bottle Worcestershire, 40¢.

No. 2. — Thomas B. Tucker, Tucker's Tavern, 10 lbs. porterhouse at 22¢; 6 lbs. lamb chops at 16¢; 22 lbs. ham at 12¢; 6 doz. S. F. eggs at 25¢; 12 lbs. fish at 10¢; 5 bu. potatoes at 60¢; 1 case Germea, 36 pkgs., at 12¢.

No. 3. — Mrs. Fred Gillford, 7 lbs. pork roast at 12¢; 20 lbs. tub butter at 24¢; 1 sack Graham flour, \$1.25; ½ lb. cinnamon at 50¢; ½ bu. beans at \$3; 1 bottle T. ketchup, 22¢.

No. 4. — E. B. Woods, 12 lbs. turkey at 18¢; 1 qt. oysters, 40¢; 1 can Java coffee, 10 lbs., at 30¢; 1 gal. molasses, 50¢; 1 lb. cocoa, 55¢; 3 doz. S. F. eggs at 28¢.

No. 5. — Mrs. Wm. Hanson, 1 tub butter, 42 lbs., at 22¢; 4 doz. S. F. eggs at 28¢; 8 lbs. pork roast at 15¢; 10 lbs. beef roast at 16¢; 5 lbs. round steak at 14¢; 5 lbs. Java coffee at 30¢; 1 case C. peas, 36 cans, at 12¢.

No. 6. — Wm. Harper, 7 lbs. lamb at 16¢; 5 bu. potatoes at 60¢; 1 sack Graham flour, \$1.25; 1 gal. maple sirup, \$1.25; 5 lbs. print butter at 28¢; 1 bottle capers, 30¢.

No. 7. — E. L. Corey, 8 lbs. corned beef at 12¢; 20 lbs. tub butter at 24¢; 1 sack pastry flour, \$1.50; 1 bx., 12 lbs., prunes, at 12¢; 1 lb. baking powder, 50¢; 1 hd. cabbage, 10¢.

No. 8. — James B. Longley, Star Restaurant, 10 lbs. sirloin steak at 18¢; 12 lbs. porterhouse steak at 20¢; 1 ham, 24 lbs., at 12¢; 6 doz. S. F. eggs at 25¢; 1 doz. T. ketchup, \$2.25; 1 doz. Crown olives, \$3; 18 lbs. turkey at 16¢.

No. 9. — A. B. Ryder, 6 lbs. veal roast at 18¢; 1 qt. oysters, 40¢; 3 bu. potatoes at 60¢; 20 lbs. G. sugar at 6½¢; 1 sack buckwheat flour, \$1; 1 gal. maple sirup, \$1.25; 1 lb. baking powder, 50¢.

No. 10. — C. H. Stratton, 20 lbs. sirloin steak at 15¢; 12 lbs. porterhouse at 18¢; 22 lbs. sirloin roast at 15¢; 10 lbs. pork roast at 12¢; 39 lbs. turkey at 15¢; 1 brl. N. S. flour, \$5.50; 1 brl. Graham flour, \$4.75; 5 gals. maple sirup at \$1.15; 1 sack buckwheat flour, \$1; 1 hf. cht. Japan tea, 60 lbs., at 35¢.

No. 11. — Mrs. S. T. Worthen, 1 pr. chickens, 9 lbs., at 16¢; 1 bu. potatoes, 60¢; 24 lbs. tub butter at 25¢; 1 lb. baking powder, 50¢.

No. 12. — P. J. McGuire, 10 lbs. sirloin at 16¢; 5 doz. S. F. eggs at 28¢; 200 cigars at \$35 per M.; 100 cigars at \$55 per M.; 15 lbs. chicken at 15¢; 6 lbs. ox tongue at 20¢.

Enter the sales on customers' monthly statement sheets exactly as in October.

Cash sales for the day, per cash tickets, \$321.45.

Your cash book is now the ordinary double-entry cash book, and you must always give the name of each account affected by any transaction, the same as in cash books which you used in previous double-entry work. Where cash merchandise sales or purchases are made, place a check mark in the ledger folio column of the cash book opposite *Merchandise*, as these amounts are posted to the Merchandise account from the purchase book, and from the abstract sales book, and not from the cash book.

Received cash as follows: Mrs. F. Gilford, payment of October account, \$24.25; E. B. Woods, on account, \$25; Mrs. A. Waldron, balance of September account, \$9.48.

Deposited \$800.

Paid cash as follows: (Checks) Adams & Hackland, on account, \$100; American Sugar Refining Co., invoice of Oct. 22, less 1%; F. H. Leggett & Co., invoice of Oct. 22, less 3%; Gray Bros., City, invoice of even date, \$53.04; Daniel Stoneglass, rent for November, \$50. (Currency) merchandise from market wagons, \$18.44; stamps and postals, \$2.50; replacing broken window, \$4.75; freight, \$2.17 (*Freight* account); salaries, Canfield, \$12; Stuart, \$12; Carter, \$15; Holt, \$15 (*Salaries* account).

(Student) drew for private use, cash, \$25. Marsh drew for private use, cash, \$20.

Gave S. S. Pierce & Co. note at 30 ds., with interest, to pay invoice of Oct. 22, less 3%. (*Notes Payable* account.)

Balance your cash book at the close of each day's business, as in the October work, but do not rule the special Mdse. Disct. column until the end of the month.

NOVEMBER 8, 19

Purchased of Hackett Bros., City, 60 ds., 2/10, 10 brls. K. oil, 642 gals., at $6\frac{1}{2}\text{¢}$; 1 hhd. Golden Drip sirup, 66 gals., at $37\frac{1}{2}\text{¢}$; 2 brls. salt pork at \$9.25.

Bought of S. M. Crockett & Co., 60 ds., 3/10, 5 gross bluing at \$7.25; 1 gross T. ketchup, 144 bottles, at 11¢; 36 one-gallon cans M. sirup at 95¢.

Bought of Gray Bros., City, net 30, 2/10, 5 cases eggs, 60 doz., at 15¢; 130 lbs. turkey at 13¢; 65 lbs. chicken at 12¢.

Purchased produce from market wagons, for cash, \$28.65.

Purchased of American Sugar Refining Co., New York, net 30, 1/10, invoice amounting to \$60.08.

Bought of Armour & Co., Chicago, net 30, 2/10, invoice of pork and sausage, \$98.37.

Bought of Swift & Co., Chicago, net 30, 2/10, invoice of beef and mutton, \$102.40.

Purchased of M. Newton & Sons, Boston, net 30, 2/10, invoice of fish and oysters, \$10.00.

The following sales slips have been handed in by the salesmen.

No. 1. — E. L. Corey, 6 lbs. chicken at 15¢; $\frac{1}{2}$ brl. Graham flour at \$5.50; 1 gal. maple sirup, \$1.25; $\frac{1}{4}$ bu. beans, 80¢; 5 gals. K. oil at 13¢; 12 lbs. G. sugar at $6\frac{1}{2}\text{¢}$; 1 gal. pickles, 50¢.

No. 2. — Wm. Harper, 10 $\frac{1}{2}$ lbs. chicken at 16¢; 1 brl. pastry flour, \$6; 2 doz. case eggs at 22¢; 12 oranges, 35¢; 1 bottle extract vanilla, 42¢; 2 pkgs. shredded wheat, 25¢; 1 broom, 35¢.

No. 3. — Mrs. Wm. Hanson, 6 lbs. pork chops at 12¢; 8 lbs. round steak at 14¢; 12 lbs. sirloin roast at 15¢; 11 $\frac{1}{2}$ lbs. pork roast at 12¢; 1 brl. pastry flour, \$6; 3 doz. bananas at 20¢; 1 gal. vinegar, 25¢.

No. 4. — Mrs. S. T. Worthen, 8 lbs. sirloin roast at 20¢; $\frac{1}{2}$ brl. G. flour, \$2.75; 12 S. F. eggs, 28¢; 2 lbs. cheese at 10¢; 1 5-lb. can Java coffee, \$1.50; 12 lemons, 25¢.

No. 5. — Edward Austin, 2 lbs. round steak at 16¢; 8 lbs. corned beef at 12¢; 1 hd. cabbage, 10¢; 1 bu. potatoes, 60¢; $\frac{1}{4}$ cht. E. B. tea, 15 lbs., at 55¢; 1 bottle T. ketchup, 24¢; 12 eggs, 28¢.

No. 6. — Mrs. A. Waldron, 8 lbs. lamb roast at 16¢; 20 lbs. G. sugar at $6\frac{1}{2}\text{¢}$; 5 lbs. tub butter at 25¢; 1 brl. Graham flour, \$5.25; 1 gal. pickles, 50¢; 2 pkgs. shredded wheat, 25¢.

No. 7. — Chas. A. Dodge, 9 lbs. turkey at 16¢; 2 qts. cranberries at 10¢; 1 bu. potatoes, 60¢; 12 case eggs, 22¢; 1 box cigars, \$5.50; 1 gal. vinegar, 25¢.

No. 8. — James B. Longley, 1 sack buckwheat flour, \$1.50; 1 gal. M. sirup, \$1.25; 5 gals. S. pickles at 40¢; 1 brl. K. oil, 42 gals., at 11¢; 20 lbs. chicken at 14¢; 28 lbs. rib roast at 14¢; 16 lbs. pork roast at 11¢; 15 lbs. sir. roast at 15¢; 17 lbs. porterhouse at 18¢.

No. 9. — Mrs. F. Gilford, 9½ lbs. turkey at 16¢; 1 qt. oysters, 40¢; 20 lbs. G. sugar at 6½¢; 1 bu. potatoes, 60¢; 1 lb. baking powder, 50¢; 12 oranges, 35¢.

No. 10. — P. J. McGuire, 10 lbs. sirloin roast at 16¢; 20 lbs. rib roast at 14¢; 10 lbs. pork roast at 12¢; 16 lbs. turkey at 16¢; 1 brl. N. S. flour, \$5.50; 1 brl. pastry flour, \$5.75; 1 doz. T. ketchup, \$2; 6 doz. oranges at 25¢.

No. 11. — E. B. Woods, 11¼ lbs. sirloin roast at 16¢; 5 bu. E. R. potatoes at 55¢; 1 brl. apples, \$2.75; 10 lbs. lard at 12½¢; 20 lbs. G. sugar at 6½¢; 1 bottle bluing, 10¢; ½ brl. G. flour at \$5.50.

No. 12. — Thomas B. Tucker, 12 doz. S. F. eggs at 26¢; 15 lbs. sirloin steak at 16¢; 1 brl. N. S. flour, \$5.50; 1 brl. pastry flour, \$5.75; 1 brl. oatmeal, \$5.25; 1 sack buckwheat, \$1.50; 5 gals. M. sirup at \$1.15.

No. 13. — C. H. Stratton, 22 lbs. porterhouse at 18¢; 31 lbs. beef, sirloin, at 15¢; 26 lbs. lamb at 15¢; 12 lbs. pork chops at 10¢; 10 bu. potatoes at 55¢; 1 mat Java coffee, 75 lbs., at 28¢; 48 lbs. butter at 25¢; 30 doz. case eggs at 18¢.

Cash sales for the day, per cash tickets, \$388.74.

Received cash as follows: A. B. Ryder, October account, \$38.30; Mrs. S. T. Worthen, on account, \$15; P. J. McGuire, balance of September account, \$19.34; T. B. Tucker, on account, \$30.

Had the note of E. W. Lawrence discounted at the City Bank, and received credit for the net proceeds. Face of note, \$942.68; discount, \$8.96.

Deposited \$300.

Paid cash as follows: (Checks) Cobb, Bates & Yerxa, draft at sight for invoice of Oct. 29; Park & Tilford, invoice of Oct. 29, less 2%; F. H. Leggett & Co., invoice of Oct. 29, less 3%; Armour & Co., invoice of Nov. 1, less 2%; Swift & Co., invoice of Nov. 1, less 2%; M. S. Newton & Sons, invoice of Nov. 1, less 2%; bay horse, \$125 (*Horses and Wagons* account); delivery wagon, \$100. (Currency) merchandise from market wagons, \$28.65; cleaning windows, \$1.25; board of horse, \$5; harness, \$31; freight, \$1.06; salaries. Canfield, \$12; Stuart, \$12; Carter, \$15; Holt, \$15.

Received of C. H. Stratton his note at 60 ds., with interest added, to settle October account. Amount of account, \$266.09; interest, 60 ds., \$2.66.

Returned to E. J. Dunn Grocery Co., 1 bale Mocha coffee, 150 lbs., at 25¢. Too much of this kind was ordered.

NOVEMBER 15, 19—

Purchased of Armour & Co., Chicago, net 30, 2/10, invoice amounting to \$116.20.

Purchased of Swift & Co., Chicago, net 60, 3/10, invoice amounting to \$178.95.

Bought of M. S. Newton & Sons, Boston, net 30, 2/10, invoice amounting to \$28.44.

Bought of S. S. Pierce & Co., Boston, 60 ds., 3/10, invoice amounting to \$246.39.

Purchased of Park & Tilford, New York, net 30, 2/10, invoice amounting to \$63.44.

Bought of Cobb, Bates & Yerxa, Boston, acceptance 30 ds. from date, invoice, \$213.42.

Bought merchandise from market wagons, for cash, \$63.42.

The following sales slips have been handed in by the salesmen.

No. 1. — C. H. Stratton, 1 brl. G. sugar, 217 lbs., at 6¢; 1 brl. N. S. flour, \$5.50; 1 brl. pastry flour, \$5.75; 1 bx. oranges, \$4.75; 20 doz. S. F. eggs at 25¢; 20 lbs. fresh fish

at 11¢; 12 lbs. sirloin steak at 15¢; 22 lbs. sirloin roast at 15¢; 500 cigars at \$35 per M.; 200 cigars at \$55 per M.

No. 2. — A. B. Ryder, 8 lbs. beef roast at 16¢; 12 S. F. eggs, 28¢; $\frac{1}{2}$ brl. G. flour at \$5.50; 10 lbs. lard at 12 $\frac{1}{2}$ ¢; $\frac{1}{4}$ bu. beans at \$3.20.

No. 3. — Wm. Harper, 1 qr. lamb, 16 lbs., at 15¢; 10 lbs. lard at 12 $\frac{1}{2}$ ¢; 6 lemons, 15¢; 12 S. F. eggs, 25¢; 2 lbs. cheese at 10¢; 1 sack buckwheat flour, \$1.25.

No. 4. — Mrs. Wm. Hanson, 5 lbs. lamb chops at 16¢; 18 lbs. ham at 11¢; 8 lbs. round steak at 14¢; 1 case C. tomatoes, 36 cans, at 8¢; 1 case C. corn, 36 cans, at 8¢; 1 brl. G. flour, \$5.25; 1 lb. pepper, 65¢; 1 lb. ginger, 60¢.

No. 5. — Edward Austin, 2 lbs. halibut at 20¢; 6 lbs. sir. roast at 16¢; 20 lbs. G. sugar at 6 $\frac{1}{2}$ ¢; 12 S. F. eggs, 28¢; 1 brl. apples, \$2.75; 1 bottle T. ketchup, 24¢; 1 lamp, 40¢.

No. 6. — Thomas B. Tucker, 1 tub butter, 42 $\frac{1}{2}$ lbs., at 22¢; 1 cheese, 28 $\frac{1}{2}$ lbs., at 12 $\frac{1}{2}$ ¢; 1 case C. tomatoes, 36 cans, at 8¢; 1 case C. corn, 36 cans, at 8¢; 1 case C. peas, 36 cans, at 12 $\frac{1}{2}$ ¢; 22 $\frac{1}{2}$ lbs. fresh fish at 12¢; 26 $\frac{1}{2}$ lbs. chicken at 14¢; 18 lbs. sirloin steak at 15¢; 24 lbs. sirloin roast at 15¢.

No. 7. — J. B. Longley, 1 brl. N. S. flour, \$5.75; 1 brl. pastry flour, \$6; 32 $\frac{1}{2}$ lbs. turkey at 15¢; 21 lbs. lobster at 10¢; 5 gals. oysters at \$1.20; 15 lbs. codfish at 12 $\frac{1}{2}$ ¢; 1 brl. G. sugar, 231 lbs., at 6¢.

No. 8. — Chas. A. Dodge, 6 $\frac{1}{2}$ lbs. veal roast at 16¢; 12 lbs. G. sugar at 6 $\frac{1}{2}$ ¢; 12 S. F. eggs, 28¢; 1 bx. dried peaches, 10 lbs., at 15¢; $\frac{1}{4}$ gr. matches, 25¢.

No. 9. — Mrs. A. Waldron, 6 $\frac{1}{2}$ lbs. turkey at 16¢; 10 lbs. lard at 12 $\frac{1}{2}$ ¢; 1 gal. vinegar, 25¢; 1 lb. E. B. tea, 60¢; 1 qt. pickles, 15¢; 2 lbs. raisins at 15¢.

No. 10. — P. J. McGuire, 1 tub butter, 43 $\frac{1}{2}$ lbs., at 22¢; 1 tub lard, 48 lbs., at 11¢; 22 $\frac{1}{2}$ lbs. rib roast at 14¢; 11 $\frac{1}{2}$ lbs. pork roast at 10¢; 8 lbs. sirloin steak at 15¢; 1 case eggs, 30 doz., at 20¢; 1 doz. C. tomatoes, \$1.

No. 11. — E. B. Woods, 7 $\frac{1}{2}$ lbs. chicken at 15¢; 15 lbs. tub butter at 22¢; 3 lbs. raisins at 15¢; 2 lbs. citron at 20¢; 2 lbs. dried currants at 12 $\frac{1}{2}$ ¢; 8 lbs. beef at 8¢.

No. 12. — Mrs. F. Gilford, 4 $\frac{1}{2}$ lbs. chicken at 15¢; 1 sack buckwheat flour, \$1.25; 1 gal. M. sirup, \$1.25; 5 lbs. lard at 12 $\frac{1}{2}$ ¢; 1 bx. dried apricots, 5 lbs., at 20¢; 2 pkgs. shredded wheat, 25¢.

Cash sales for the day, per cash tickets, \$362.28.

Received cash as follows: E. B. Woods, balance of October account; Mrs. A. Waldron, on account, \$20; E. L. Corey, to balance October account; C. A. Dodge, to balance October account; James B. Longley, on account, \$25.

Had C. H. Stratton's note of Oct. 15 discounted at the City Bank, and net proceeds placed to credit. Face of note, \$212.40; interest, 4 mos., \$4.25; discount, 92 ds., \$3.32.

Deposited, \$400.

Paid cash as follows: (Checks) Adams & Hackland, on account, \$200; E. J. Dunn Grocery Co., invoice of Nov. 1, less 5% (deduct \$37.50, amount of goods returned); note in favor of S. S. Pierce & Co., due Nov. 14, with interest; face of note, \$458.95; interest, \$1.53; Armour & Co., invoice of Nov. 8, less 2%; American Sugar Refining Co., invoice of Nov. 8, less 1%; insuring stock of groceries and fixtures one year from date; policy, \$3500; premium, 1%. (Currency) purchases from market wagons, \$63.42; shoeing horse, \$1.25; board of horses, \$10; salaries, Canfield, \$12; Stuart, \$12; Holt, \$15; Carter, \$15; telegrams and telephone service, \$1.87; freight, \$17.42.

J. M. Marsh drew cash for private use, \$60. (Student) drew cash for private use, \$50.

Received of P. J. McGuire his note at 90 ds., with interest, to balance October account.

Accepted Cobb, Bates & Yerxa's draft at 30 ds. for the amount of their invoice received this day.

NOVEMBER 22, 19 —

Bought of Gray Bros., City, 60 ds., 3 10, 92 lbs. turkey at 14¢; 56 lbs. chicken at 12½¢; 60 doz. S. F. eggs at 22¢.

Bought of Armour & Co., Chicago, net 30, 2 10, invoice amounting to \$112.20.

Purchased of Swift & Co., Chicago, net 60, 3 10, invoice amounting to \$168.30.

Purchased of M. S. Newton & Sons, Boston, net 30, 2 10, invoice amounting to \$34.62.

Bought merchandise from market wagons, for cash, amounting to \$46.28.

The following sales slips have been handed in by the salesmen.

No. 1. — Mrs. A. Waldron, 2 lbs. sirloin at 16¢; 9½ lbs. rib roast at 14¢; 15 lbs. G. sugar at 6½¢; 1 bx. dried peaches, 10 lbs., at 12¢; 1 can peas, 15¢; 1 bu. potatoes, 60¢.

No. 2. — P. J. McGuire, 2 brls. Baldwin apples at \$2.50; 10 bu. E. R. potatoes at 55¢; 24 doz. case eggs at 18¢; 20 hds. cabbage at 8¢; 42 lbs. beef, sirloin, at 15¢; 18 lbs. fresh fish at 12¢; 1 brl. N. S. flour, \$5.50.

No. 3. — Mrs. S. T. Worthen, 20 lbs. G. sugar at 6½¢; 10 lbs. lard at 12½¢; 12 S. F. eggs, 28¢; 1 brl. apples, \$2.75; ½ brl. pastry flour at \$6; 6½ lbs. sirloin roast at 16¢; 1 bottle bluing, 10¢; 1 bx. stove polish, 12¢.

No. 4. — A. B. Ryder, 1 bx. dried peaches, 10 lbs., at 12¢; 12 S. F. eggs, 28¢; 15 lbs. G. sugar at 6½¢; 9½ lbs. turkey at 16¢; 1 bx. poultry dressing, 25¢; 1 qt. oysters, 35¢.

No. 5. — C. H. Stratton, 2 brls. N. S. flour at \$5.50; 1 brl. pastry flour, \$5.75; 2 brls. apples at \$2.50; 1 bx. oranges, \$4.25; 16 lbs. sirloin steak at 15¢; 24 lbs. sirloin roast at 14¢; 18 doz. S. F. eggs at 25¢; 1 bu. beans, \$3.

No. 6. — Mrs. Wm. Hanson, 2 pkgs. rolled oats, 25¢; 5 doz. case eggs at 22¢; 25 lbs. G. sugar at 6½¢; 12 lbs. rib roast at 14¢; 1 5-lb. can Java coffee, \$1.50; 1 can E. B. tea, 10 lbs., at 50¢.

No. 7. — Wm. Harper, 9 lbs. chicken at 15¢; 4 lbs. salt pork at 10¢; 12 S. F. eggs, 28¢; 12 oranges, 35¢; 1 lb. E. B. tea, 60¢; 15 lbs. G. sugar at 6½¢.

No. 8. — E. L. Corey, 2 lbs. sirloin steak at 16¢; 5½ lbs. veal roast at 18¢; 1 bx. dried prunes, 10 lbs., at 15¢; 1 brl. apples, \$2.75; 1 lb. chocolate, 40¢.

No. 9. — T. B. Tucker, 25 doz. S. F. eggs at 24¢; 20 bu. E. R. potatoes at 50¢; 40 hds. lettuce at 2¢; 1 case Cream of Wheat, 36 pkgs., at 12½¢; 42½ lbs. beef, sirloin, at 15¢; 1 hf. cht. E. B. tea, 50 lbs., at 60¢; 1 mat Java coffee, 75 lbs., at 28¢.

No. 10. — James B. Longley, 1 mat Rio coffee, 75 lbs., at 15¢; 1 hf. cht. Japan tea, 50 lbs., at 35¢; 2 gal. oysters at \$1.25; 1 tub butter, 40½ lbs., at 22¢; 28 lbs. fresh fish at 12¢; 12 doz. case eggs at 18¢.

No. 11. — E. B. Woods, 1 qt. oysters, 40¢; 6 lbs. pork loin at 12½¢; 10 lbs. lard at 12½¢; 1 lamp, 65¢; 1 lb. chocolate, 40¢; 1 lb. baking powder, 50¢.

No. 12. — Edward Austin, 8½ lbs. corned beef at 12¢; 1 hd. cabbage, 10¢; 5 gals. K. oil at 13¢; 12 S. F. eggs, 28¢; 12 oranges, 35¢; 1 5-lb. can Java coffee, \$1.50.

Cash sales for the day, per cash tickets, \$422.16.

Received cash as follows: Mrs. S. T. Worthen, balance of October account; Mrs. Wm. Hanson, \$25, to apply on account; Wm. Harper, to balance October account; E. Austin, to balance October account; T. B. Tucker, \$50, to apply on account.

Discounted at the City Bank G. M. Kelly's note, dated Sept. 19, at 4 months, with

interest. Face of note, \$622.85; interest, \$12.46; discount, \$6.14; net proceeds placed to credit.

Deposited \$400.

Paid cash as follows: (Checks) Hackett Bros., invoice of Nov. 8, less 2%; S. M. Crockett & Co., invoice of Nov. 8, less 3%; Swift & Co., invoice of Nov. 8, less 1%. (Currency) board of horses, \$10; railroad mileage ticket, 500 miles, \$10; salaries, Canfield, \$12; Stuart, \$12; Holt, \$15; Carter, \$15; freight, \$1.45; purchases from market wagons, \$46.28.

Gave S. S. Pierce & Co. our note at 60 ds., with interest, to pay invoices of Oct. 20 and Nov. 15, less 3%.

NOVEMBER 20, 19—

Purchased of Cobb, Bates & Yerxa, acceptance 30 ds., merchandise invoiced at \$182.77.

Bought of Armour & Co., Chicago, net 30, 2-10, invoice amounting to \$83.40.

Purchased of Swift & Co., Chicago, net 30, 2-10, invoice amounting to \$87.00.

Bought of M. S. Newton & Sons, Boston, net 30, 2-10, merchandise invoiced at \$28.42.

Bought of S. S. Pierce & Co., Boston, net 60, 3-10, invoice amounting to \$63.14.

Purchased produce from market wagons, for cash, \$62.46.

The following sales slips have been handed in by the salesmen.

No. 1.—Mr. S. T. Worthen, $2\frac{1}{2}$ lbs. sirloin steak at 16¢; 1 lb. Ceylon tea, 80¢; 12 oranges, 35¢; 1 broom, 30¢; 2 lbs. raisins at 15¢.

No. 2.—A. B. Ryder, 1 bx. cigars, \$5.50; 1 brl. pastry flour, \$6; 12 oranges, 35¢; $8\frac{1}{2}$ lbs. lamb roast at 16¢; 15 lbs. G. sugar at $6\frac{1}{2}$ ¢; 12 S. F. eggs, 28¢.

No. 3.—C. H. Stratton, $42\frac{1}{2}$ lbs. butter at 24¢; 64 lbs. turkey at 15¢; 2 gals. oysters at \$1.20; 1 brl. G. sugar, 217 lbs., at 6¢; 1 case Ceylon tea, 50 lbs., at 52¢; 22 doz. S. F. eggs at 26¢.

No. 4.—Edward Austin, $9\frac{1}{2}$ lbs. turkey at 16¢; $\frac{1}{2}$ brl. pastry flour at \$6; 12 bananas, 25¢; 1 pkg. gelatine, 15¢; 1 bx. honey, 22¢.

No. 5.—E. L. Corey, $12\frac{1}{2}$ lbs. turkey at 16¢; 1 qt. oysters, 35¢; 1 bx. cigars, \$3.50; 1 can peas, 15¢; $\frac{1}{4}$ gr. matches, 25¢; 6 lbs. loaf sugar at 8¢.

No. 6.—P. J. McGuire, 200 cigars at \$55 per M.; 500 cigars at \$35 per M.; 42 lbs. lamb at 12¢; 1 brl. G. sugar, 231 lbs., at 6¢; 22 lbs. beef, sirloin, at 15¢; 1 mat Java coffee, 75 lbs., at 28¢.

No. 7.—Mrs. A. Waldron, 1 brl. pastry flour, \$6; 20 lbs. tub butter at 25¢; $6\frac{1}{2}$ lbs. veal roast at 18¢; 1 can peas, 15¢; $\frac{1}{2}$ lb. pepper at 80¢; 2 pkgs. shredded wheat, 25¢.

No. 8.—Mrs. Fred Gilford, $8\frac{1}{2}$ lbs. sirloin roast at 16¢; 1 brl. pastry flour, \$6; 4 lbs. dried peaches at 12¢; 12 S. F. eggs, 28¢; 1 can peas, 15¢.

No. 9.—Chas. A. Dodge, $\frac{1}{2}$ brl. pastry flour at \$6; $8\frac{1}{2}$ lbs. sirloin roast at 16¢; 1 lb. cocoa, 40¢; 1 5-lb. can Java coffee, \$1.50; 1 qt. pickles, 15¢; 2 lbs. cheese at 16¢; 5 lbs. print butter at 30¢.

No. 10.—T. B. Tucker, 1 hr. cht. E. B. tea, 60 lbs., at 50¢; 1 gal. Olive oil, \$2.50; 22 lbs. fresh fish at 12¢; 48 lbs. beef, sirloin, at 15¢; 1 doz. T. ketchup, \$2; 1 brl. G. sugar, 226 lbs., at 6¢; 10 bu. E. R. potatoes at 55¢; 1 brl. pastry flour, \$6; 103 lbs. winter squash at 2¢.

No. 11.—James B. Longley, 26 lbs. lobster at 16¢; 3 gals. oysters at \$1.25; 500 oysters, New York count, at 60¢ per C.; 52 lbs. turkey at 15¢; 1 gal. Olive oil, \$2.50; 22 lbs. sirloin steak at 15¢.

Hand your books and vouchers to the teacher for inspection.

STATEMENT OF LOSSES AND GAINS
WHITE & MARSH, NOVEMBER 30, 19—

| | | | |
|-------------------------------------|-------|------|--------|
| Sales for month | | 4516 | 32 |
| Inventory, November 1, 19— | 3875 | 24 | |
| Purchases for month | 3216 | 25 | |
| | 7001 | 52 | |
| Deduct: Inventory, November 30, 19— | 3005 | 05 | |
| Turnover for November * | | 1485 | 07 |
| Gain from Sales | | 435 | 45 |
| Add: | | | |
| Merchandise Discount, allowed us | 175 | 12 | |
| Interest, on notes receivable | 14 | 28 | 190 40 |
| Gross gain from the business | | 640 | 85 |
| Deduct: | | | |
| Expense | 87.20 | | |
| Less unexpired insurance | 32.05 | 55 | 21 |
| Salaries, for month | 220 | | |
| Discount, allowed others | 15 | 07 | |
| Freight, for month | 25 | 17 | |
| Depreciation of horses and wagons | 50 | | |
| " " furniture and fixtures | 12 | 5 | 353 05 |
| Net gain | | 235 | 00 |
| A. B. White, $\frac{1}{2}$ net gain | 117 | 05 | |
| C. D. Marsh, $\frac{1}{2}$ " " | 117 | 05 | |
| | | 235 | 00 |

* Cost of goods sold. See page 216.

STATEMENT OF RESOURCES AND LIABILITIES
WHITE & MARSH, NOVEMBER 30, 19—

| RESOURCES | | | |
|--------------------------------------|---------|------|---------|
| Cash, on hand and in bank | 684 | 06 | |
| Notes Receivable, debit balance | 215 | 08 | |
| Accounts Receivable, per card ledger | 1230 | 00 | |
| Misc., on hand | 300 | 05 | |
| Insurance, unexpired | 32 | 00 | |
| Horses and Wagons, valued at | 450 | | |
| Furniture and Fixtures, valued at | 125 | | 6040 46 |
| LIABILITIES | | | |
| Notes Payable, credit balance | 520 | 25 | |
| Account Payable, per general ledger | 700 | 75 | 1328 |
| Present worth | | | 4721 46 |
| A. B. White, investment | 2742.78 | | |
| $\frac{1}{2}$ net gain | 117.05 | 2860 | 73 |
| C. D. Marsh, investment | 2742.78 | | |
| $\frac{1}{2}$ net gain | 117.05 | 2860 | 73 |
| | | | 4721 46 |

EXERCISES

NOTE. — The entries, statements, etc., called for in these exercises should be made on loose journal paper.

1. Determine the percentage of loss for the month of October on the capital invested. The percentage on capital invested is found by comparing the net gain with the net capital.

2. Determine the percentage of gross gain from sales in the month of November as shown by your statement of losses and gains.

The percentage of gross gains from sales is found by dividing the amount of the gross gain by the amount of the sales; and the percentage of net gain is found by dividing the amount of the net gain by the amount of the sales.

3. Determine the percentage of net gain for November, as shown by your statement of losses and gains.

4. Determine the percentage of net gain for November on the capital invested, as shown by your statement of resources and liabilities.

5. Determine the percentage of expense for running the business for the month of November, as shown by your statement of losses and gains.

6. H. C. Bowen has been conducting a retail dry goods business and keeping his books by single-entry. His present worth at the beginning of the year, as shown by his books, was \$5826.13, and his present resources and liabilities at the end of the year are as follows:

Resources: Merchandise inventory, \$4783.24; Furniture and fixtures, \$450; Motor delivery wagon, \$1500; Cash as per cash register, \$36.46; Cash in bank as per check book, \$1242.81; Accounts receivable as per customers' ledger, \$375.52; Unexpired insurance, \$39.25.

Liabilities: Accounts payable as per unpaid bills, \$1275; Note payable as per bill book, \$300.

Determine (1) Bowen's present worth; (2) the net gain or net loss for the year; (3) the percentage of gain or loss for the year on the capital investment.

7. Show the journal entry you would make if you were employed by Mr. Bowen to change his books from single-entry to double-entry, and explain the steps you would take in making the change.

8. T. H. O'Meara is doing a retail business and has been keeping his books by single-entry. He engages you as bookkeeper and instructs you to open and keep a set of double-entry books. Suppose, after you have opened the new books, you should discover that Jones & Co. hold Mr. O'Meara's note for \$250, and that it had not been included in the list of resources and liabilities. Show the entry or entries that would be made for this item, to correct the omission.

9. You have changed a set of books from single-entry to double-entry, and the proprietor's investment account shows his present worth to be \$7836.51. Suppose a customer's account, amounting to \$28.75, which the proprietor had considered worthless, and which was not included in the new books, is paid in full in cash. Show the entry or entries you would make for this item.

10. J. M. Irwin is conducting a retail grocery and meat business in two adjoining stores. T. A. Coleman, desiring to purchase a going business, offers Irwin \$3500 cash for the good will, stock in trade, and fixtures of the grocery part of the business, and the lease rights of the grocery store. Assume that Mr. Irwin has accepted the proposition, that a bill of sale has been executed, and that the cash has been paid. All bills for the grocery stock have been paid by Irwin, and he will collect all bills due him for groceries.

If the books are kept by single entry, show the entry or entries on Irwin's books for the above transaction. Show the same on Coleman's books.

11. Assume that Coleman will keep his books by double-entry. Show the proper entry or entries for the transaction in 10, estimating the good will at \$500, the fixtures at \$300 and the stock of groceries at \$2700.

12. Eden & Kline are conducting a retail business, and their books on Dec. 31, 19—, showed that their sales for the year were \$12087.92; their purchase, \$0454.45; and stock on hand at beginning of year, \$7675.80. The following accounts showed debit balances: Freight, \$64.32; Salaries, \$1575; Expense, \$254.93; Furniture and Fixtures, \$850; Horses and Wagons, \$425; Notes Receivable, \$246.39. An abstract of the customers' ledger showed amounts due, \$2016.57; cash on hand and in bank, \$801.27. The following accounts showed credit balances: F. R. Eden, \$5000; J. B. Kline, \$5000; Notes Payable, \$1227.46; Accounts Payable, \$314.30; Interest, \$6.74; Mdse. Discount, \$117.28.

The inventories were as follows: Merchandise, \$7886.25; Horses and Wagons, \$375; Furniture and Fixtures, \$750; Insurance, unexpired, \$54.65; Interest accrued on notes payable, \$11.04.

From the above data make a trial balance, a statement of losses and gains, and a statement of resources and liabilities. Show the percentages of gross gain and net gain from the business, and the percentage of net gain on the capital.

13. Assume that Eden & Kline decided to keep their books by single-entry after Dec. 31, 19—, running personal accounts only, and that the ledger has been closed as of that date. Show the journal entry you would make to change their books from double- to single-entry, using the data on their statement of resources and liabilities (No. 12).

Since only personal accounts are to be run (kept), it will be necessary for you to make such an entry as will, when posted, close all other accounts. Make an entry as if you were going to close all of the accounts; then check the personal accounts; the remaining items, when posted, would close the impersonal accounts, and the ledger would then be in single-entry form.

14. Suppose that Eden & Kline's business year ended June 30, instead of Dec. 31, and that they decided to change their books on the latter date, without taking inventories, or determining the condition of the business. Show the journal entry you would make to effect the change.

While it is necessary to know the actual resources and liabilities of the business to change from single- to double-entry, only the open accounts need be considered in changing from double- to single-entry. A trial balance should be taken which will serve as the basis of the journal entry.

The following exercises are given for practice in schools which have adding machines:

15. Prove the abstract of your customers' ledger by listing (on the adding machine) the November charges and the November credits, and comparing the difference between the amounts of these two lists with the footing of the abstract.

Since you have no sales slips you may use your monthly statements from which to get the data for the above exercise, and for other exercises of a similar nature.

16. Prove the November charges and credits to your customers' ledger by listing the November sales slips and the entries for customers' payments in your cash book, and comparing the footing of the sales slips list with that of the ledger charges list, and the footing of the cash entries list with that of the ledger credits list.

17. Determine from the daily sales slips the number of eggs sold on account in October by listing the quantities in units (single articles); the number sold on account in November; show the quantity in dozens below the footing of each list.

18. Recapitulate the daily sales and prove your abstract sales sheet for October by listing first, your charge sales for that month, and show sub-totals; and second, your daily cash sales, and show total sales for each day.

19. Prove your daily charge postings to customers' accounts for November by listing the charge items to these accounts and comparing the footing of each day's postings with the amount of the charge sales, or sub-totals, for each day on the recapitulation list.

20. Prove your monthly statements for October by listing your charge postings for that month, showing the amount of each statement as a sub-total, and the total of the statements.

QUESTIONS

1. In what respect does a single-entry ledger differ from the ledger of a business in which the books are kept by double-entry?
2. How would you keep a record of cash transactions, and how would you determine the amount of notes receivable and the amount of notes payable at any stated time?
3. How would you keep a record of your merchandise?
4. Is it possible to show as complete a record of the business by single-entry as by double-entry?
5. What does the single-entry journal contain?
6. Describe the sales slip, and explain its use in the retail grocery business. Why are sales slips written in duplicate?
7. Describe the method of making cash sales and of recording the amounts of such sales.
8. To what books are the cash sales of the day carried?
9. Explain the abstract sales sheet and the abstract sales book.
10. Of what is the purchase book an abstract, and what will the footing of its Amount of Invoice column show?
11. What will the total footing of the abstract sales book show at any time?
12. Where are the items of the sales slips carried, and when should this be done?
13. What should the customers' monthly statement contain, and what should his account in the ledger contain?
14. What advantages has the card ledger over the ordinary book form of ledger?
15. How should customers' statements be posted to the card ledger?
16. What is the first step you would take preparatory to changing a set of books from single- to double-entry?
17. What additional steps would you take?
18. How do you obtain the necessary balances of the additional ledger accounts?
19. What additional accounts must be opened in the ledger when changing from single- to double-entry?
20. Suppose a resource or a liability item had been omitted in making the statement of resources and liabilities and was not discovered until after the books had been changed to double-entry. How would you correct the omission?
21. Name an account which will always be affected by the correction of such an omission.
22. How would you change a set of books from double-entry to single-entry?
23. How would you change from double- to single-entry?
24. Which method of bookkeeping do you prefer, single- or double-entry, for an ordinary retail business?
25. Under what conditions would you prefer the other method?

COMMISSION, SHIPPING, AND MERCHANDISING BUSINESS

A large variety of produce and manufactured products are shipped to trade centers, and there sold to the wholesale and retail trades through the medium of correspondents who are known as Commission Merchants.

A **Commission Merchant** is a person engaged in receiving and selling goods belonging to others, for a compensation called a commission, which is generally a certain per cent on the sales. The property is generally sold at the current market rates. Sometimes the shipper leaves the matter of price and terms to the judgment of the commission merchant. This is generally done in the produce commission business, and in other branches of the commission business which deal with perishable property; but in case of manufactured products, the shipper usually limits the price below which the goods must not be sold, and also establishes the terms of credit.

Some commission merchants do both a shipping and a commission business, and a few do a general merchandising business in connection with the shipping and commission business.

Shipments and Consignments. — When property is shipped to be sold, it is called a "Shipment," and the party who ships it is called the "Consignor." When property is received to be sold, it is called a "Consignment," and the party who receives the property is called the "Consignee." The consignor generally sends the consignee notice of a shipment in the form of a letter of advice, or a consignment invoice, and a bill of lading.

Shipments Account. — The Shipments account is in its nature the same as a Merchandise account. It is, in fact, an account with the goods (merchandise) which we have shipped to others to be sold on commission. The debit side represents the total cost of all goods shipped, and the credit side shows the proceeds of the goods which have been sold for us, and for which we have received an account sales. When we have received accounts sales for all goods shipped, the difference between the debit and credit sides of the Shipments account will be either a gain or a loss. If all our shipments have not been closed out and accounted for, the value of the unsold shipments is a resource inventory, and must be added to the credit of Shipments before taking the difference between that and the debit side of the account. This inventory is found by taking the total cost of unsold shipments as shown in the shipment ledger. This includes the original cost of the goods shipped, as well as any additional cost, such as freight, insurance, and drayage. We consider any unsold goods which we have shipped to be sold on our account and risk as worth what we have put into them.

Consignments Account. — The credit side of the Consignments account represents the total sales from all consignments, and the debit side includes all costs, charges, and net proceeds, and since the net proceeds on each consignment are determined by taking the difference between the sum of the costs and charges (including advances) and the amount of the sales, it will be seen that when all consignments have been sold out and accounts sales rendered, the Consignments account must balance.

If the account has a debit balance, it signifies that the costs and advances which have been made upon open consignments are greater than the sales from these consignments. In such a case the difference is a resource or asset, since it is the amount due from the consignors.

If the Consignments account is larger on the credit side, it indicates that the total of the sales from consignments for which you have not rendered accounts sales is greater than the costs and any advances which you have made. This difference would be due the consignors, and therefore is a liability.

It is clear, then, that if the Consignments account does not balance, it will show either a resource or a liability, and will appear on one or the other side of the Statement of Resources and Liabilities.

Although the student will receive special instructions in regard to the entries for the various transactions as they occur, it will be well for him to bear in mind continually the following general rules, which govern all entries for shipment and consignment accounts.

Rule for Shipments

SHIPMENTS ACCOUNT is debited for the total cost of the goods shipped, and is credited for the net proceeds.

Rule for Consignments

CONSIGNMENTS ACCOUNT is debited for all costs, charges, and net proceeds returned to the consignor, and is credited for all sales.

Books Kept. — The books kept in a shipping and commission business depend upon the kind of goods handled and the magnitude of the business. The following set is designed to illustrate a method of bookkeeping adapted to the requirements of the produce commission business.

The books to be kept in this work are sales book, account sales register, shipment ledger, cash book, invoice book, journal, general ledger, and loose-leaf consignment ledger. The forms of the invoice book and the journal will be the same as those you have kept in the Introductory Course. As but few notes appear in these transactions, the bill book will be dispensed with.

It is the custom of most commission houses to enter a description of each lot of goods received in a book called the receiving book, which is usually a book about six inches wide with rulings like those of an ordinary daybook. The entries in this book are made in pencil, and the book is kept by the clerk in the store or warehouse. The receiving book is left in the office at the close of the day, or at other convenient times, so that the bookkeeper can make the necessary entries from it. Commission houses generally use two sets of receiving books, so that those which are in use by the receiving clerk on one day will be in the office on the next.

An account is opened with each lot of goods under an appropriate name in a book called the consignment ledger. Each account contains on its credit side all sales made from the lot of which it is the record, and on its debit side all charges against this lot. When the lot is all sold, an account sales is rendered to the consignor.

By the use of the loose-leaf consignment ledger, a description of which follows, the receiving book, consignment ledger, and account sales are combined in one, and the bookkeeping is greatly simplified.

Each consignment should be accompanied by a letter of advice, containing the list of goods, and this letter should be compared with the goods when they are received, and it

LOOSE-LEAF CONSUMABLE LIBRARY

| SALE OF MERCHANDISE FOR ACCOUNT OF | | BY | | E. H. REED & COMPANY, | | COMMISSION MERCHANTS, | |
|------------------------------------|--|---------------------|--|-----------------------|--|-----------------------|--|
| INVOICE NO. | | INVOICE DATE | | 19 | | 19 | |
| RECEIVED | | FREIGHT CARTAGE ETC | | ADVANCES | | SALES | |
| COMMISSION | | CHARGES | | NET PROCEEDS | | | |

there is any shortage, the consignor should be notified at once. The receiving clerk generally enters the goods on a blotter as they are unloaded from the trucks, and from the blotter the bookkeeper transfers the items to a loose leaf of the consignment ledger. (See model, above.)

When a consignment is received, the lot number given it is stenciled or marked upon each package, if the package is not already so marked, and the goods are thereafter known, while in the store or warehouse, and when sales are made from them, by that number. Goods which are not in packages, and which are of such a nature that a lot number cannot conveniently be put upon them, are placed in stalls or apart from other goods, and a placard bearing the lot number is posted up over them. A knowledge of the sources from which the commission merchant obtains his consigned goods is valuable to him, and he desires to conceal it from his competitors and customers. It is partly for this reason that he uses lot numbers or arbitrary marks to identify the goods while they are in his store or warehouse.

The Consignment Ledger In this business, when goods are received to be sold on commission, the consignment will be entered on a loose leaf of the consignment ledger, as shown in the illustration on this page. The consignment ledger is an underlying or auxiliary ledger; also called sectional ledger.

In the small square at the upper right-hand corner of this loose leaf is written the

stencil, or private mark, of this consignment, and every package in the consignment will be marked with the same stencil. These stencil marks are arbitrary, and any letter, number, or symbol may be used. In this business the initial letter of the consignor and the number of his consignment will be used as a stencil mark. The loose leaf is now fastened to its cover and becomes a part of the consignment ledger. The amount of freight as shown by the freight bill, which will accompany the goods, should be entered in the left-hand or debit column of the loose leaf opposite *Freight*. This may be done at the time the goods are received, or later, when the amount is taken from the cash book. As the goods are sold, the items are entered in the space under *Sales* on the loose leaf, and the amounts carried to the right-hand or credit column. These amounts should be taken from the sales book, where they will be found in the special column for sales from consignments. The contents of this column should be carried to the consignment ledger at the close of each day.

When all the goods which make up the consignment have been sold, the right-hand or credit column is footed and the amount placed at the bottom of the loose leaf.

If any sight drafts have been paid or time drafts accepted on account of this consignment, the amount should be placed opposite *Advances* in the debit column of the loose leaf. Such amounts will be found in the consignment column on the credit side of the cash book. Everything in this column should be carried to the debit side of the consignment ledger at the close of each day. The commission should now be calculated, and also any charges which may be due for cartage, insurance, storage, or other items of expense. In this business these items, except commission, will be combined under the head of "Charges." Enter the amount of commission and of charges in the left-hand or debit column of the loose leaf. The difference between the footing of the right-hand column and the sum of the items in the left-hand column of the loose leaf will show the net proceeds or amount due the consignor, and will, of course, balance the two columns of the loose leaf.

All writing upon the consignment ledger should be done in copying ink, for the leaf is now removed from the ledger, and a copy of it taken in the impression account sales book, the leaf itself being sent to the consignor with a check or draft for the amount of his net proceeds, unless the net proceeds are placed to his credit. In the latter case, the account sales should be sent without the remittance, and after *Net proceeds* the words *Placed to credit* should be written. It is important that a good copy of the account sales be taken in the impression book, for should any dispute arise this impression book will be accepted in court as your book of original entry, and many houses post charges, commission, and net proceeds directly from this book to their respective accounts in the ledger.

Shipment Ledger. — When goods are sent to other persons to be sold on commission, the date of shipment is written in the shipment ledger, with the name and address of the consignee, and the number of the shipment; then follows a description of the merchandise shipped, with the price, which, in a regular shipping business, should be the cost of the goods. (See form of shipment ledger, page 186.) The shipment ledger is an underlying or auxiliary ledger; also called sectional ledger.

In the debit column, under *Ledger Accounts*, should be written the value of the merchandise as shown in the Merchandise column, and to this column is also posted, from the cash book, all expenses incurred on account of this shipment.

When an account sales of a shipment is received, the shipment is credited for the net

SHIPMENT LEDGER

| Date | Particulars | M | Debit | | | | Date |
|------|--|---------|---------|------------|--------------------|------|---------|
| | | | Merch. | Cr. Merch. | Exp. or
Freight | | |
| | A. M. Archer, Cr., Brooklyn, N. Y. | | | | | | |
| | 100 bbls. Apples, N. S., @ 2.12 | 212.00 | 712 | | | | |
| | 30 tubs Butter, 18.25 lbs., @ 2.12 | 360.00 | | 785.00 | | C. 4 | Jan. 10 |
| | 20 css. Eggs, S. Ea. 450 doz., @ 15.00 | 3000.00 | 785.00 | | | Gain | 10 |
| | Via National Despatch, | | | 785.00 | 785.00 | | |
| | | | | | | | |
| | 4 | | | | | | |
| | F. W. Smith Com. Co., Cr., Boston, | | | | | | |
| | 250 bbls. Apples, Baldwin, @ 2.50 | 625.00 | 733 | | | | |
| | 30 css. Eggs, S. Ea. 720 doz., @ 15.00 | 1080.00 | | | | | |
| | Via National Despatch, | | | | | | |
| | | | | | | | |
| | 5 | | | | | | |
| | D. W. Parks & Co., Cr., Pittsburg, Pa. | | | | | | |
| | 2400 bu. Potatoes, @ 35.00 | 8400.00 | 961 | | | | |
| | 20 bbls. Apples, Baldwin, @ 2.45 | 490.00 | 17.50 | | | C. 5 | Jan. 15 |
| | Via Interstate Line, | | | 942.60 | | C. 4 | 16 |
| | | | | 75.00 | | Loss | 16 |
| | | | 978.50 | 978.50 | | | |
| | | | | | | | |
| | 5 | | | | | | |
| | Jas. F. Brennan, Cr., New York, | | | | | | |
| | 50 tubs Butter, 3050 lbs., @ 20.00 | 6100.00 | 748.60 | | | | |
| | 12 bxs. Cheese, 1260 lbs., @ 11.00 | 1386.00 | | | | | |
| | Via Interstate Line, | | | | | | |
| | Shipments, Dr. | | 3154.60 | | | | |
| 3/2 | Mdse., Cr. | | | | | | |

proceeds from the cash book or journal, and since this disposes of the shipment, the ledger part of it is closed by writing in the usual way the amount of gain or loss on the smaller side of the account, and ruling and footing. (See models, A. M. Archer and D. W. Parks & Co., in the above illustration.)

When the books are posted preparatory to the taking of a trial balance, the total of the Merchandise column in the shipment ledger is carried to the debit of Shipments and to the credit of Merchandise in the general ledger. (See form of shipment ledger.)

The shipment ledger is a combined journal or sales book and ledger, the portion to the left of the Ledger Accounts columns partaking of the nature of a journal, and the part to the right of the Mdse. column being the ledger proper. When a shipment is made and entered in the Shipment ledger, it is equivalent to debiting Shipments and crediting Mdse. in the journal and then posting the entries to the ledger. Each account in the shipment ledger is closed the same as in an ordinary ledger.

SALES BOOK.

ACCOUNT SALES

| Name | | Address | Debit | Credit | Balance | Debit | Credit |
|--------|-----|---------------|------------------|--------|---------|-------|--------|
| Jan. 1 | K 1 | J. M. Kennel | Rochester, N. Y. | 2.35 | 1.00 | 1.35 | 1.75 |
| 24 | J 2 | F. M. Jackson | Elmira, N. Y. | 774 | 64.00 | 57.72 | 4.00 |
| 29 | M 1 | C. D. Martin | Utica, N. Y. | 512.00 | 21.40 | 29.13 | 2.47 |
| 31 | K 2 | J. M. Kennel | Rochester, N. Y. | 225 | 7.50 | 11.25 | 1.50 |
| | | | | | | 89.23 | |
| | | | | | | | 9.75 |

Sectional or Auxiliary Ledgers and Controlling Accounts.—The student will remember that in arranging the accounts in the ledger in some of his earlier work, he divided them into sections, all accounts of the same nature being placed together in one section. All personal accounts showing liabilities (creditors of the firm) were placed in one section, the personal accounts showing resources (debtors, or customers, of the firm) in another section, and all remaining accounts (the general accounts of the business) constituted the general ledger. This principle of dividing the ledger into sections will now be carried a step farther by making the general ledger independent of the other ledgers. This is done by opening an account in the general ledger with each one of the other or sectional ledgers. These accounts are known as *controlling accounts*, and all the debits and credits which are posted to the sectional ledgers from day to day are posted to these controlling accounts in aggregate at the end of the month. This will enable the bookkeeper to take a trial balance of the general ledger independently of the sections, while the debits and credits of each section must equal those shown on its controlling account in the general ledger.

This method of handling ledgers is illustrated in this set by placing all shipment accounts in the shipment ledger, all consignment accounts in the consignment ledger, and all the remaining accounts in the general ledger. The accounts in the sectional ledgers are said to underlie the controlling accounts which represent them in the general ledger. In the general ledger there will be opened a *Shipments* account, representing or controlling the shipment ledger, and a *Consignments* account representing or controlling the consignments ledger. Note that all debits and credits of shipments and consignments when originally entered in the cash book, sales book, account sales register, and the journal portion of the shipment ledger, are placed in separate columns so that they may be footed at the end of the month and posted to the Shipments and Consignments accounts in the general ledger.

When the trial balance is taken, the general ledger will balance by itself. If it is desired, an abstract may be taken of the shipment and consignment ledgers, and it will be seen that, if the work is correct, the balance of the shipment ledger will agree with the balance of the Shipments account in the general ledger, while the balance of the consignment ledger will be the same as the balance of the Consignments account in the general ledger.

Sales Book. The sales book contains a special column for sales made from consignments, and an Invoice extension column, which should contain the items and the total of the bill given the purchaser, who, as a rule, does not know whether the goods are purchased from a consignment or from the stock of the business. (See model, page 187.)

When sales are entered in the sales book, the stencil mark of the consignment should

REGISTER

| PACKAGES
RETURNED | TOTAL
CHARGES | | ADVANCES | NET
PROCEEDS | CHEQUE OR
DRAFT | AMOUNT TO
BE POSTED | NAME | ACCOUNT |
|----------------------|------------------|----|----------|-----------------|--------------------|------------------------|----------------|---------|
| | 21 | 90 | | 181 | 10 | | | |
| | 107 | 30 | 300 | 300 | 70 | 366 70 74 | E. M. Jackson, | Cr. |
| 5 bxs. | 53 | 03 | 200 | 320 | 57 | | | |
| | 20 | 25 | | 204 | 75 | | | |
| | | | | | | 89 23 58 | Commission, | Cr. |
| | | | | | | 9 75 50 | Charges, | Cr. |
| | | | | | | 465 68 47 | Consignments, | Dr. |

be written opposite those items which are taken from consignments, and the amounts should be placed in the Sales from Consignments column, as well as in the Invoice Extension column. The amounts of such items as are sold from the stock of the business should be placed in the Sales from Merchandise column.

When the sales book is posted, the total of Sales from Consignments should be carried to the credit of Consignments (controlling account) in the general ledger, and the total of the Merchandise column to the credit of Merchandise in the general ledger.

In this month's work cash sales will not be posted to the debit of the person making the purchase, as in previous work, and then posted back to his credit from the cash book, but such sales will be checked off in the sales book and also in the cash book, and not posted to the personal account from either book. This method of handling sales for cash is used where there is no special desire to keep a record of the amount of business transacted with each customer, and it will be seen that it saves a considerable amount of posting where cash sales are numerous. (See E. M. Lacy entries in form of sales book and form of cash book, pages 187 and 190.)

Account Sales Register. — The account sales register is kept for convenience in posting commission and charges, and contains columns for the date, stencil mark of the consignment, name and address of the consignor, amount of gross sales, freight, commission, charges, goods returned, total charges, advances, net proceeds, cash remitted, amount to be posted, folio, name of account.

If accounts are kept with insurance, cartage, storage, etc., of course columns would be added for these accounts, as well as for commission and charges. In this month's work all these accounts are included under the general head *Charges*.

When an account sales is rendered, the necessary information should also be entered in the account sales register; and at the time of the general posting before a trial balance is taken, the footings of Commission and Charges columns should be carried to the Amount to be posted column, and the names *Commission* and *Charges* written in the Name of Account column opposite these amounts in the account sales register. The total of Amount to be Posted column should be posted to the debit of Consignments, and the items which make up this total posted in the general ledger to the credit of the accounts to which they belong.

If an impression of the loose leaf of the consignment ledger is taken when an account sales is rendered, the account sales register may be dispensed with, as the commission charges, net proceeds, and total to consignments may be posted directly from the impression book.

Cash

| DATE | NAME AND EXPLANATION | Mer. Dis. | General | Shipments |
|----------|----------------------|-----------|---------|-----------|
| 1899 | 10/10/99 | | | |
| 10/11/99 | 10/11/99 | | | |
| 10/12/99 | 10/12/99 | | | |
| 10/13/99 | 10/13/99 | | | |
| 10/14/99 | 10/14/99 | | | |
| 10/15/99 | 10/15/99 | | | |
| 10/16/99 | 10/16/99 | | | |
| 10/17/99 | 10/17/99 | | | |
| 10/18/99 | 10/18/99 | | | |
| 10/19/99 | 10/19/99 | | | |
| 10/20/99 | 10/20/99 | | | |
| 10/21/99 | 10/21/99 | | | |
| 10/22/99 | 10/22/99 | | | |
| 10/23/99 | 10/23/99 | | | |
| 10/24/99 | 10/24/99 | | | |
| 10/25/99 | 10/25/99 | | | |
| 10/26/99 | 10/26/99 | | | |
| 10/27/99 | 10/27/99 | | | |
| 10/28/99 | 10/28/99 | | | |
| 10/29/99 | 10/29/99 | | | |
| 10/30/99 | 10/30/99 | | | |
| 10/31/99 | 10/31/99 | | | |
| 11/1/99 | 11/1/99 | | | |
| 11/2/99 | 11/2/99 | | | |
| 11/3/99 | 11/3/99 | | | |
| 11/4/99 | 11/4/99 | | | |
| 11/5/99 | 11/5/99 | | | |
| 11/6/99 | 11/6/99 | | | |
| 11/7/99 | 11/7/99 | | | |
| 11/8/99 | 11/8/99 | | | |
| 11/9/99 | 11/9/99 | | | |
| 11/10/99 | 11/10/99 | | | |
| 11/11/99 | 11/11/99 | | | |
| 11/12/99 | 11/12/99 | | | |
| 11/13/99 | 11/13/99 | | | |
| 11/14/99 | 11/14/99 | | | |
| 11/15/99 | 11/15/99 | | | |
| 11/16/99 | 11/16/99 | | | |
| 11/17/99 | 11/17/99 | | | |
| 11/18/99 | 11/18/99 | | | |
| 11/19/99 | 11/19/99 | | | |
| 11/20/99 | 11/20/99 | | | |
| 11/21/99 | 11/21/99 | | | |
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| 11/24/99 | 11/24/99 | | | |
| 11/25/99 | 11/25/99 | | | |
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| 11/28/99 | 11/28/99 | | | |
| 11/29/99 | 11/29/99 | | | |
| 11/30/99 | 11/30/99 | | | |
| 12/1/99 | 12/1/99 | | | |
| 12/2/99 | 12/2/99 | | | |
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| 12/4/99 | 12/4/99 | | | |
| 12/5/99 | 12/5/99 | | | |
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| 12/28/99 | 12/28/99 | | | |
| 12/29/99 | 12/29/99 | | | |
| 12/30/99 | 12/30/99 | | | |
| 12/31/99 | 12/31/99 | | | |

Cash Book. In this set the use of special columns in the cash book is illustrated. Whenever there are frequent entries for any account, a special column should be set aside for that account. Such a column will show all entries to that account separately from other accounts, and will save labor in posting, since the footing of the column is posted to that account in the ledger at the end of the month, instead of each separate item. In this business, the accounts to which there are frequent entries in the cash book are Merchandise Discount, Shipments, and Consignments. Therefore, special columns are provided for these accounts.

Debit Side of Cash Book. The Merchandise Discount column on the debit side of the cash book will contain all discounts allowed by us to others on bills of merchandise sold. The actual amount of cash received is entered in the General column. The Shipments column contains all amounts of cash received from shipments. The General column contains also all cash received from the ordinary accounts of the business.

In posting from the debit side of the cash book, all amounts in the General column are posted in the regular way, with the exception of amounts representing cash sales, which are

Cash

| DATE | DEBIT | CREDIT | DATE | DEBIT | CREDIT |
|------|-------|--------|------|-------|--------|
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| 100 | | | | | |

not posted from the cash book at all. All cash sales are included in the footing of the sales book and posted from there. The amounts in the Merchandise Discount column are posted separately to each account, as shown on page 200. The total of this column is posted to the debit side of Merchandise Discount in the ledger. At the close of each day, the amounts in the Shipments column are posted separately to the credit of the respective shipments in the shipment ledger. The total of this column is posted to the credit side of the proper controlling account, namely, the Shipments account, in the general ledger.

Credit Side of Cash Book. The Merchandise Discount column on the credit side of the cash book will contain all discounts allowed to us in payment of bills of merchandise, the actual cash paid being entered in the General column. The Shipments column includes all payments on account of shipments, and the Consignments column all money paid out on consignments.

In posting from the credit side of the cash book, the amounts in Merchandise Discount column are posted to the debit side of their respective accounts in the ledger, and the total of this column is posted to the credit side of Merchandise Discount in the general ledger. The items in the General column are posted in the usual way. All amounts in the Ship-

ments column are posted to the debit side of their accounts in the shipment ledger, and the total of this column is posted to the debit side of Shipments account (controlling account) in the general ledger. The amounts in the Consignments column are posted to the loose-leaf consignment ledger, and the total of this column is posted to the debit side of the Consignments account (controlling account) in the general ledger.

The posting of items from the various columns of the cash book should be done daily, but the footings of the columns are not posted until the end of the month.

Note carefully how the cash book is closed and ruled preparatory to posting the footings at the end of the month.

Letter Impression Book.—In most business houses it is the custom to keep a copy of every written order, letter, postal card, account sales, deposit slip, etc., which leaves the house in the course of its business, as it is often of great importance that ready reference may be made to copies of such papers. This copy is obtained by means of a roller copying machine, or of a letter impression book, which is made up of leaves of tissue paper, and a copy may be taken in this book from either a pen-written or a type-written sheet. If proper ink is used, several copies may be taken from the same original.

When letters or invoices are copied in the letter impression book, they should be indexed at once for ready reference. (See form of letter impression book, page 102, showing the proper indexing.) When copied on the machine, the tissue copy is filed with the original communication.

Indexing.—It is important that all ledgers, as well as letter impression books, be properly indexed.

The vowel index shown in the model letter impression book is an excellent method of indexing, when the index is a part of the book itself, but the ledger index is generally a separate book, of which there are several labor-saving varieties on the market.

The card form of index is another and popular method of indexing accounts, where the number of accounts is large. A card is used for each account, and it may contain the name of the account, the number, address, ledger page, terms, etc. The cards are kept in trays in a cabinet, and are arranged in alphabetic or numerical order, with proper guide cards showing the important divisions. The advantages of the card index are similar to those of the card ledger, explained in the Retail Grocery Business.

Some bookkeepers, before posting a book, take the index, and from it page each item in the book from which posting is to be done, by writing in the folio column the page of the account in the ledger. After all the items to be posted have been paged, then each amount is carried to the ledger page indicated, and a check mark (✓) is placed next to the folio figures. If the ledger contains a large number of accounts, this method of posting will save time and also prevent errors, as the check mark is a double proof that the posting has been done. In actual practice every good bookkeeper will soon memorize the pages of all his principal ledger accounts, and not be obliged to refer constantly to his index.

Bank Account.—Instead of entering the deposits on the face of the check stub and deducting each check as heretofore instructed, you will keep the bank account, hereafter, in accordance with the following method.

Use the left-hand check stubs for a record of the deposits, and the right-hand check stubs for a record of the checks. The amount column of each of these stubs will be footed and carried forward from page to page, until it is desired to show a balance. This is done by deducting the total checks from the total deposits, on the left-hand check stubs.

In entering deposits on the left-hand stubs, write the amount of each item comprising the deposit a little to the left of the money column, and extend only the total, or net amount, of the deposit in the money column. The record for a deposit should be a copy of the deposit slip, as heretofore.

Some business houses keep a detailed record of deposits in a separate book, called a deposit book, and enter only the net, or total amount, and the date in the check book. Others take an impression of the deposit slip in a rubber book, like a letter book, or on a roller-copying machine, and enter only the amount and date in the check book. This is one of the many labor-saving methods used in modern business houses.

When checks are paid by the banks, they are stamped *Paid*, or are otherwise canceled, and if drawn by their own depositors, they are filed until the depositors' pass books are written up, or statements are made out, when they are returned to the makers.

On account of the freedom with which checks circulate, and the consequent liability of their getting into the hands of dishonest or unscrupulous persons, several means are employed to prevent the falsing or altering of checks and other similar negotiable instruments. Two of the most common means of safeguarding checks are the use of safety paper on which erasures cannot be made without showing, and by the use of mechanical check protectors, of which there are several varieties. Some of these protectors rough or partly perforate the written figures in the amount, while others cut out or perforate in figures (omitting the cents) the amount expressed in the check. Another form cuts out or perforates the expression "not over \$100," or any other desired amount.

The cancellation of checks in banks is done either by rubber stamps or by canceling or perforating machines. These are operated either by hand or by electricity. These machines will cancel from ten to fifty or more checks in one operation, depending upon the kind of machine and the power used.

RECONCILIATION OF BANK BALANCE

| | | | | |
|------|----|-------------------|--------|----|
| July | 31 | Total deposits | 152.55 | 04 |
| | | Total checks | 60.00 | 48 |
| | | True bank balance | 416 | 46 |
| | | CHECKS OUT | | |
| | | Nos. | | |
| | | 352 | 153 | 93 |
| | | 361 | 60 | 37 |
| | | 365 | 92 | 04 |
| | | 369 | 283 | 00 |
| | | Bank's balance | 3952 | 73 |
| Aug | 1 | True balance | 416 | 46 |

Reconciliation of Bank Balance.

-- The balance in the bank on any given date, as shown by the pass book when written up as of that date, or by the bank statement, will agree with the check book balance only when all checks issued prior to the balancing of the check book, and the writing up of the pass book, have been presented at the bank, and either certified or paid. This will rarely occur in a going business, and consequently there will generally be a difference between the two balances, which should be adjusted in the check book. This is done by deducting from the check book balance the amount of the outstanding checks, as shown by the vouchers returned with the pass book or statement. These checks should be listed in detail on the check book stub. This is called *reconciling the bank balance*. The check book balance is the true balance, and is the amount to be carried forward in the check book.

PRELIMINARY WORK

JULY 1, 19

You have formed a partnership, under the name of E. H. Reed & Co., with Ellis H. Reed, who has been engaged in the Country Produce and General Merchandising business, at 312 South St., your city.

You are to invest \$5000 cash, and also a shipment to Thos. W. Bowen & Co., Dover, No. 3, valued at \$1055, making a total investment of \$6055. Ellis H. Reed owns the

building at 312 South St., valued at \$9500. He transfers this property, by deed, to E. H. Reed & Co. He also owns two horses and a delivery wagon, valued at \$325, and office furniture and fixtures, valued at \$250. He has on hand the following goods: 600 bu. potatoes, invoiced at 60¢ per bu.; 140 brls. apples, invoiced at \$3.50 per brl.; 11 boxes cheese, 603 lbs., invoiced at 11¢ per lb.

The following personal balances from customers are due Ellis H. Reed: Theodore Crosby & Co., \$129.33; A. W. Noone & Co., \$528.44; Public Market Co., \$244.60; Geo. H. Tucker & Co., \$204.13; City Hotel Co., \$250.45.

Ellis H. Reed owes the following balances: Russell & Birkett, \$426.45; Curtice, Olney & Co., \$1326.40; Lutz Bros., \$714.50; Gillette & Hennigan, \$541.20; and a note in favor of the Fischer Flour Co., St. Louis, dated June 16 at 30 days, \$845.27.

The new firm assumes all the liabilities of Ellis H. Reed, and takes over his resources, as listed above. Each partner is to receive interest at six per cent on his net investment, after which the gains and losses are to be divided equally.

The form on page 196 shows the journal and cash book entries for the investments of Ellis H. Reed and yourself which you will now make.

Enter the shipment to Thos. W. Bowen & Co., Dover, No. 3, \$1955, in the shipment ledger. Write for explanation, *shipped June 24, Investment of (Student)*.

No. A 1.—Take your investment, \$5000 cash, from your voucher pad, and place it in Cash Drawer.

Prepare a circular letter, soliciting shipments of country produce or general merchandise, and mail a copy to each out of town customer with whom you did business in June (wholesale grocery business). These are all country merchants, and are likely to have such goods to dispose of.

The following is a form of circular letter:

FORM OF CIRCULAR LETTER

Mr. Geo. H. Alling
Utica, N. Y.

Albany, N. Y. July 1, 19—.

Dear Sir,—We desire to call attention to the fact that we have opened at 348 Central St., this city, a large and commodious store for the handling of every variety of country produce—butter, eggs, fruit, vegetables—and canned goods, to be sold on commission. We shall also conduct a general merchandising business, and are prepared to buy anything in the above line at the highest market rates.

We solicit shipments of first-class goods only, and are prepared to make cash advances for all staple goods on receipt of bill of lading. We render accounts sales and send cash remittances as soon as consignments are disposed of. Our charges are 5% of sales and 1% for storage and insurance.

We refer, by permission, to the First National Bank and the Empire Storage Company of this city.

Soliciting your patronage, we are,

Very respectfully yours,

The Geo. H. White Commission Co.

JOURNAL ENTRY

JULY 1, 19

Ellis H. Reed and student's name have this day entered into a partnership to carry on, at 312 South State Commission and General Merchandising business, under the name of E. H. Reed & Co.

Each partner is to receive six per cent interest on his net investment, after which the gains and losses shall be divided equally.

Ellis H. Reed invests the following resources and the firm assumes the following liabilities:

| | | | |
|------------------------|---|-----|---------|
| Real Estate | value at | 95 | - |
| Misc. | " " | 616 | 85 |
| Horses and Wagons | " " | 323 | |
| Furniture and Fixtures | " " | 255 | |
| Theodore Crosby & Co. | balance acct | 120 | 33 |
| A. W. Noone & Co. | " " | 328 | 44 |
| Public Market | " " | 244 | 60 |
| Geo. B. Ficker & Co. | " " | 234 | 13 |
| City Hotel Co. | " " | 25 | 45 |
| Russell & Birkett | " " | | 426 45 |
| Curtice, Oney & Co. | " " | | 1320 40 |
| Lutz Bros. | " " | | 714 30 |
| Gillette & Hennigan | " " | | 341 20 |
| Notes Payable | Note favor Fischer Flour Co.,
St. Louis, dated June 16,
at 30 days. | | 843 27 |
| Ellis H. Reed | net investment | | 8404 68 |

(Student's name) invests cash, \$500, and a shipment, 3, to Thos. W. Bowen & Co., Denver, value at \$1055.

| | | | |
|-----------|------------|------|------|
| Cash | as above | 5 | |
| Shipments | " " | 1055 | |
| (Student) | Investment | | 6055 |

CASH BOOK ENTRY

| | | | | |
|------|---|---|------------------|------------|
| To | | | | |
| July | 1 | X | (Student's name) | Investment |
| | | | | 500 |

JULY 10

Order from Gillette & Hennigan, Baltimore, Md., at their lowest cash discount, 20 boxes St. John River oranges, 50 boxes lemons, 12 doz. pineapples.

The above and following letters should be very carefully prepared in copying ink, and after approval by your teacher, an impression of each letter should be taken in the letter book. Ask your teacher to show you the method of taking an impression in this book. Prepare a vowel index on the second page of the cover of your letter book, as shown in the illustration on page 102, and index your letters, using the first vowel in the surname of the person or first name of the firm as a guide for position. Inclose the letter in a properly addressed envelope, and place in Vouchers for Others.

Order from Russell & Birkett, Penn Yan, N. Y., on account, 30 days, 50 brls. XXX family flour, 50 brls. XX family flour, 25 brls. pastry flour.

Order from Curtice, Olney & Co., Rome, N. Y., 36 cases, 72 doz., canned sugar corn; 72 cases, 144 doz., canned tomatoes. Order these sent by Interstate Transportation Company, fast freight, and request them to draw on you at 30 days for the amount of the bill.

Order from Lutz Bros., Allegheny, Pa., 5 brls. sour pickles, 4 brls. sweet pickles, 25 cases, 50 doz., Diamond ketchup, 16 oz. Order the goods shipped by Interstate Transportation Company, and request 60 days' credit.

TRANSACTIONS

JULY 16

No. 1.—This advice of shipment accompanies a lot of goods received from Edwin Mason & Co., of Milford, your state, to be sold on their account and risk.

Take from your package of business forms the pad of loose-leaf consignment sales blanks, and in the square at the top write the stencil mark of this consignment, which will be M-1 (see form of loose-leaf sales blank, page 184). Fill out the consignment sales sheet with the date of shipment, name of consignor, etc. Opposite *Received* write the articles as shown by the advice received with the goods. (See form, page 184).

Paste the gummed edge of the loose leaf to the back of the cover of the consignment ledger. Place the advice of shipment in your Voucher File.

It will be noticed that the freight and cartage charges on the above consignment were not paid at the time the goods were received. This is the practice in cities where truck or dray companies are established, and also, as regards freight charges, when proper arrangements have been made with the railroad companies. The freight or drayage bills are brought in daily, weekly, or monthly, and one check is drawn for the total amount.

In business when goods are shipped by freight, the shipper usually sends the bill of lading with invoice or advice of shipment to the consignee. If a shipment has been made under a straight bill of lading, the railroad company will notify the consignee, usually by post card, when the goods have arrived and are ready for delivery, and the amount of freight charges, if any, on the shipment. As a rule, this notice must be presented at the freight office and the freight charges paid, before the goods can be taken away. When freight charges are paid, two receipts are given: one by the railroad company for the money, and the other by the consignee or his representative for the goods. These receipts are made out by the railroad company after the arrival of the goods and before the notice is sent to the consignee. The receipts contain the date on which they are made out; date and number of waybill; the car number and initials; the weight, rate and amount, and the advance charges, if any. The procedure when goods are shipped under an order bill of lading will be explained later.

No. 2.—This advice of shipment is received with goods mentioned from the Western New York Preserving Company, Springville, N. Y., and should be entered precisely as the lot received in No. 1 (W-1). Paste the gummed edge on the back of M-1.

No. 3.—This advice has been received from Rice & Pond, accompanying goods as mentioned.

No. 4.—This invoice is for goods ordered by you July 10, from Gillette & Hennigan, and should be pasted in the invoice book (Blank No. 2), as in previous work. Verify the calculations and O.K. the same. The receiving clerk has already O.K'd. the quantities. Verify all calculations and O.K. all invoices, after which paste the merchandise invoices in the invoice book, and file the other invoices or bills in the Voucher File.

No. 5.—This invoice from E. R. Coburn & Co. is for books and other office supplies.

Make no entry at present. The amount will be found in your cash items to be paid at the end of the day, and entered at that time.

No. 6 This invoice from Lutz Bros. is for goods ordered by you July 10. (See No. 4.)

Sales from Blotter. In this month's work a large number of sales will be made to local persons, whose orders are given verbally and are entered in an order book or blotter. You will receive among your incoming vouchers a list of these sales each day, and will make out the bills as usual. In entering these sales in the sales book be sure that the stencil mark of the consignment appears opposite each item sold from that consignment, and that these items are carried to the loose-leaf consignment ledger from the Consignments column of the sales book.

A blotter was originally a kind of day book in which all transactions—purchases, sales, receipts and disbursements of cash, etc.—were first entered in memorandum form and from which the entries were transferred to the main books. Sometimes it is used for orders only, in which case it is equivalent to an order book. The blotter is generally made of heavy, coarse paper, and the records are made in pencil.

No. 7. These sales have been made as per blotter, and should be entered in the sales book (see model, page 187). Be sure that the cash sale is entered in the cash book, and checked off both in cash book and in sales book (see explanation, page 189). Place the voucher in Voucher File.

In this month's work an account will be kept with freight, and all amounts paid for freight on your own merchandise will be charged to Freight account instead of to Merchandise account.

The items from the Consignments columns of the cash book and from the sales book should be carried to the loose-leaf consignment ledger at the close of each day, as it is necessary that they appear there before an account sales can be rendered to the consignor; and it is also necessary that the items in the Shipments columns of the cash book be carried to the shipment ledger in the same manner, as they must appear there before the closing of any accounts in the shipment ledger. If there are any entries to shipments or consignments in the journal, these should also be posted at the end of each day.

The following is an illustration of the sales book with the first charge for July 10, showing the method of entering sales from consignments and regular merchandise sales together. The check marks show that the amount of merchandise sold from the consignment has been transferred to the consignment ledger.

COMMISSION SALES BOOK

JULY 10, 1910

| | | | | By | Cr | Merch. |
|---------|----------------|----------|------|-------|-------|--------|
| | City Hotel Co. | 30 days | | | | |
| M. C. ✓ | 5 cases Eggs | 120 doz. | .22 | 26 40 | | |
| M. C. ✓ | 2 tubs Butter | 120 lbs. | .24 | 28 80 | 55 20 | |
| | 2 boxes Lemons | | 4 75 | 6 50 | | 9 50 |
| | | | | 64 70 | | |

No. 8. This is an order on the cashier to pay various bills. Pay the items in currency.

Enter in your cash book, debiting the proper accounts (see model, page 161). Allow a line for each charge for freight paid on consignments. (Place the money in Cash Paid Out.) Post all freight charges on consignments from the cash book to the proper consignment in the loose-leaf consignment ledger, placing the amount opposite the printed word *Freight*. Remember to debit *Freight* in the cash book for all freight paid on your own merchandise.

No. 9. -- This account sales and draft are received from Thos. W. Bowen & Co., and as they have been notified of the change in your business, they have made the draft payable to E. H. Reed & Co.

Enter in your cash book, crediting Shipment to Thos. W. Bowen & Co., No. 3, for the amount of the net proceeds, and carrying the amount of net proceeds to the credit of shipment No. 3, in shipment ledger. There has been a gain on this shipment. Close the shipment in shipment ledger by entering the amount of the gain in the debit column, the word *gain* in the explanation column, and the date in the date column. Make proper use of red ink as in closing other ledger accounts. (See page 186.)

No. 10. -- This check has been received from Theodore Crosby & Co., in full of account, and is indorsed by Ellis H. Reed to E. H. Reed & Co.

No. 11. -- Open an account with the Traders Bank, and deposit \$4900 cash, the check of Theodore Crosby & Co., and the draft received from Thos. W. Bowen & Co. Copy the items from your deposit ticket on the left-hand stub of your check book, and extend the total into the money column. Do not enter the deposit on the right-hand stub, as that will be used only for a record of the checks drawn.

It is a good practice, as well as the usual custom, to deposit checks on the day they are received or on the following day. If a check is not deposited within a reasonable time, usually considered to be twenty-four hours, and the bank on which it is drawn should fail, the maker of the check would be discharged from loss occasioned by the delay of the depositor.

You will now prove the cash and post the entries in your books in accordance with the following instructions.

Posting. -- Open accounts in your general ledger, as follows, treating the third blank page as page 1: Page 1, E. H. Reed, (Student), Merchandise, each one-third page. Page 2, Expense, Furniture and Fixtures, Real Estate, Commission, each one-fourth page. Page 3, Charges, Horses and Wagons, Office Supplies, Merchandise Discount, each one-fourth page. Page 4, Shipments, 11 lines, Discount, 5 lines, Freight, 12 lines, and Loss and Gain, 17 lines. Page 5, Consignments, Notes Receivable, Notes Payable, one-third page each. Page 6, Theodore Crosby & Co., A. W. Noone & Co., Public Market Co., Geo. H. Tucker & Co., each one-fourth page. Page 7, City Hotel Co., one-fourth page. (Space is allowed on this page and the two following pages for additional accounts, to be opened later.) Page 10, Russell & Birkett, Curtice, Olney & Co., Lutz Bros., Gillette & Hennigan, each one-fourth page. Page 11. (This page is reserved for additional creditor accounts.) Inspect the vouchers for the addresses of personal accounts, and enter them on the ledger.

Prepare an index of the ledger on the first two pages of the book, these having been specially ruled for the purpose. You will note that each page is divided into two equal parts by a vertical red line. Write a capital A in the middle of the first line at the top of the left-hand side. In middle of the ninth line below this, write B. On the ninth line below B, write C, and so on, going from the bottom of the left-hand part to the top of the right-hand portion of the page, and then to the next page, until every letter of the alphabet has been assigned a space. Assign only one space to each of the following groups: H—I—J, P—Q, U—V, X—Y—Z.

Write the names of all the accounts in the ledger in their proper alphabetic place in the index, and after each account write the page of the ledger on which it appears. In personal accounts, the initial letter of the surname or of the first principal word determines its place in the index.

In this month's business the posting is somewhat more complicated than in the previous work, and it is well to get a clear idea of the books from which the entries in the general ledger are taken, and the manner in which they are posted. The general ledger should be divided into sections, as in the previous work, the first containing the partners' accounts and all accounts showing losses or gains, including an account with Shipments and the Loss and Gain account. Notes Receivable, Notes Payable, and Consignments are placed in the general ledger because they are of a general character. The second section, called the customers' ledger, should contain all personal accounts which are resources to the business. The third section should contain all personal accounts which are liabilities, namely, accounts with the creditors of the business.

Posting the Journal. — Post your journal as usual.

Posting Debit Side of Cash Book. — Post all items in the General column of the cash book on the debit side as in previous cash books, except that cash sales of merchandise which are entered in the sales book are not posted, but checked off both in the cash book and in the sales book (see model, page 100). Do not forget to credit each personal account with merchandise discount which may appear on the same line in the Merchandise Discount column, as well as with the net amount of cash received (see model below).

W. B. ANDREWS

| 19— | | | 19— | | |
|------|---|-------|-----|------|----------|
| Jan. | 1 | S. B. | 250 | Jan. | 7 C. |
| | | | | | 2 237 50 |
| | | | | 7 | Dis. |
| | | | | | 2 12 50 |

Posting Credit Side of Cash Book. — Post the items in the General column as heretofore.

Do not forget to debit each personal account with the merchandise discount, as well as with the net amount of cash paid out.

Posting the Sales Book. — Post as in previous work to the debit side of personal accounts in the ledger, except that cash sales should not be posted at all, but checked off in the sales book (see model, page 187).

Posting the Invoice Book. — Post as usual to the credit side of the personal accounts.

Posting the Account Sales Register. — Post any amounts which may be in the Accounts to be Posted column to the credit of the accounts indicated in the Name of Account column.

At the close of each day it is well to go over your work and note the following:

First, that you have posted the sales from consignments from the sales book to the loose-leaf consignment ledger under Sales.

Second, that you have posted each item paid for consignments from the credit side of the cash book to the consignment ledger opposite Freight, Charges, etc.

Third, that you have posted any cash received from shipments from the debit side of the cash book to the credit side of the respective shipment accounts in the shipment ledger.

Fourth, that you have posted any cash paid on account of shipments from the credit side of the cash book to the debit side of the respective shipment accounts in the shipment ledger.

Fifth, that you have posted all other entries in the original books of entry that should be posted.

JULY 17

No. 12. — This invoice has been received from Curtice-Olney & Co.

No. 13. — This advice of shipment accompanies goods received from Fischer Flour Company, and incloses a draft at ten days' sight for \$300, which you will accept, payable at Traders Bank, and place in Notes Payable File.

Enter the consignment on a loose-leaf sales leaf, and under *Advances* write the amount of the draft, \$300. Make a journal entry, debiting *Consignments* and crediting *Notes Payable* for the amount of the draft, as follows:

| | | | |
|---------------|--|-----|-----|
| Consignments | Accepted Fischer Flour Co.'s
draft at 10 days, on account of
goods received to be sold on their
account and risk. | 300 | |
| Notes Payable | | | 300 |

No. 14. — This order is received from Thomas Varick & Co. Take the canned goods from lot W-1 — peas, \$1.30; corn, \$1.10; tomatoes, \$1.25; and the balance of the order from your own goods — apples, \$3.75; potatoes, 75¢. (Enter in the sales book, as per model, page 187.) Do not forget the stencil mark.

No. 15. — This letter from F. H. Larkin & Co. solicits a shipment from you.

Make a shipment invoice — apples, \$3.50; potatoes, 60¢ — and enter in your shipment ledger (see form, page 186). Pay for insurance, 75¢, currency, and enter in the cash book.

In business a straight bill of lading would, of course, be made out for a shipment of this kind, but in view of the practice which you have had in the introductory work, the bills of lading will be omitted in this set.

The following is the form of the shipment ledger as it will appear after this entry has been made, and after the cash paid for insurance has been posted from the Shipment column of the cash book at the close of the day.

SHIPMENT LEDGER

| INDEX,
CHECK,
AND
Folio | JULY 17, 14— | MOSE. | LEDGER ACCOUNTS | | | | Date |
|----------------------------------|---|------------|-----------------|---------|--------------------------|------|------|
| | | | Debits | Credits | Folio and
Explanation | | |
| | Thos. W. Bowen & Co., 23. Dover,
Shipped June 24.
Investment of (Student's name). | | 1955 | | | | |
| | | | | 2058 62 | C. 2 | | |
| | | | 103 62 | | Gain | July | 16 |
| | 17 | | 2058 62 | 2058 62 | | | |
| | F. H. Larkin & Co., Northboro,
50 brls. Apples, 3 50
200 bu. Potatoes 60¢ | 175
120 | 205
75 | | C. 3 | | 17 |

No. 16. — These sales have been made from the blotter, and should be entered in the sales book. The cash should be entered in the cash book. (See transaction No. 7.)

The small cash sale of merchandise, \$6, is not entered in your sales book, but posted direct to the credit of Merchandise from the cash book. In every business there will be more or less of these small sales, even though it be strictly wholesale business, for it is quite a common practice among business houses to send in friends with a request that, as a favor, a small quantity of goods be sold them at wholesale prices, and it is customary for a

wholesale house to comply with such a request. If such sales are made from consignments, it is necessary that they be entered in the sales book, but when made from your own goods, it is customary to enter them in the cash book only, and post to Merchandise account direct from that book. If many such sales are occurring, it is well to have a special column for merchandise sales in the cash book. In this business, as there are only a few sales of this nature, they will be carried to the General column of the cash book, and Merchandise account credited from that book. (See entries of the 11th and 27th in cash book, page 163.)

No. 17. This invoice from Russell & Birkett is for goods ordered by you July 10.

No. 18. These items should be entered in the cash book, and the item of \$55 also entered in the consignment ledger, opposite *Freight, Cartage, etc.*, on the loose leaf for Fischer Flour Co.'s consignment. Make checks for all bills, except the one of \$10 for care of horses, which pay in cash.

No. 19.—This check is received with an order from A. W. Noone & Co. Make cash book entry, but carry the order over in Voucher File until the 18th.

No. 20. Deposit checks of W. B. Alden & Co. and A. W. Noone & Co.

JULY 18

No. 21. Render an account sales to Edwin Mason & Co., and inclose a New York draft for the amount of the net proceeds.

Turn to your consignment ledger and see that all sales from this consignment, M-1, have been transferred from the sales book to the second, or sales, column of the loose leaf stenciled M-1 in the consignment ledger. Foot this second, or sales, column, and place the amount at the bottom of the page. Find the commission at 5%, and write in the first column of the loose leaf the amount, \$13.37. Take 1% of the sales for insurance, storage, etc., and place it opposite the word *Charges*, under which head insurance, storage, etc., will be kept in the ledger. Subtract the sum of the amounts in the first column from the footing of the second column, and place the difference opposite *Net Proceeds* in the first column of the loose leaf. (See model, page 184.) If you have made no mistake in addition or subtraction, the account will now balance. To show this, rule and foot. The amount of the net proceeds is to be sent to E. Mason & Co. by New York draft, the cost of which you will pay. Make out a check for the amount of the net proceeds of the consignment plus 25 cents.

The following is a form of check to be used in the purchase of New York drafts:

| | |
|--|---------------------|
| <i>Pay to the order of</i> | <i>July 18 1900</i> |
| THE TRADERS BANK | |
| <i>Five hundred forty six and 25/100</i> | |
| <i>Dollars</i> | |
| IN COLLEGE CURRENCY | |

Indorse the draft (Voucher No. 21) to E. Mason & Co.

Some business houses have the draft made payable to the order of the person to whom it is sent, but it is better to make the draft payable to your own order and indorse it to the person to whom it is to be sent, as the draft will then show on its face the name of the party who sent it.

Enter in your account sales register the information called for by the columns of that book (see pages 188 and 189), taking the amounts from the loose leaf.

Be sure to enter the amount of the draft in the proper column.

The form on page 184 shows the loose leaf of E. Mason & Co.'s consignment No. 1 as it should appear at the present time.

Enter in your cash book, debiting *Const. Mason & Co. No. 1* for the amount of the draft, and *Expense* for the cost of the draft, 25¢. If a large number of New York drafts are sent, so that there would be a considerable amount paid for exchange, an account with collection and exchange should be kept, but in this business it is not thought advisable to open such an account, and *Expense* is debited for the exchange on drafts.

Detach the loose leaf at the perforated line from the ledger, and take an impression of it in the letter book. Place the New York draft and the loose leaf (M-1) in an envelope properly addressed, and place in Vouchers for Others.

As the consignment is now closed, and you have sent the net proceeds to the consignor, it is evident that there is no necessity for any record of this lot in your books. If your school is not provided with the proper letter press, then the entry in the account sales register will be a sufficient record of the transaction.

No. 22. — Render an account sales of lot R-1 received from Rice & Pond and remit proceeds by check.

No. 23. — Memorandum of shipment from Edwin Mason & Co. The stencil will be M-2.

No. 24. — Memorandum of goods consigned to you by Rice & Pond.

No. 25. — Letter from Chas. Hunter & Co.

No. 26. — Fill this order from D. W. Perry & Co., taking 3X flour, \$5.25, and Pastry flour, \$5.50, from your own merchandise; C. E. peas, \$1.30; E. J. peas, \$1.50; beans, \$1.20, from lot W-1. Draw a draft at 60 days from the date of the bill, and present it to your teacher for acceptance. He will accept the draft for D. W. Perry & Co. Make the proper journal entry, and place the acceptance in the Cash Drawer.

No. 27. — Take order No. 19, A. W. Noone & Co., from your Voucher File and make a bill of the goods called for, taking 20 brls. Redcloud at \$4.75 per brl. and 20 brls. Snowflake at \$4.90 per brl. from Fischer Flour Co.'s consignment No. 1, and 10 brls. apples at \$3.75 per brl. from E. Mason & Co.'s consignment No. 2.

No. 28. — Sales from blotter.

No. 29. — Cashier's payments. Make out checks for the amounts required.

Carry all consignment sales from the sales book to the consignment ledger, and all consignment and shipment items from the credit side of the cash book to the consignment ledger.

Prove the cash and post as heretofore. Open new debtor accounts on page 7, allowing one-fourth of a page to each.

JULY 19

No. 30. — Render an account sales of lot W-1, and place the net proceeds to the credit of the Western New York Preserving Company, subject to sight draft. In this case no check has been sent for the net proceeds, but an account will be opened with the Western New York Preserving Company in your general ledger. Write *Placed to credit* opposite *Net Proceeds* on the loose leaf. Enter in your account sales register as usual, and write the amount to be credited in the proper column. The net proceeds will be posted later from the account sales register.

No. 31. — Check from the Public Market Co., to pay the balance due to July 1.

No. 32. — Check from G. H. Tucker & Co., to pay the balance due to July 1.

It is not necessary to send a receipt for a check, since the check itself when paid by the bank will be canceled and returned to the maker, and thus show that the amount has been paid to the person in whose favor it was made; but it is customary in most business houses to acknowledge the receipt of every remittance in some form. If a statement or invoice accompanies the remittance, it should be receipted and returned. If the statement or invoice is not received with the remittance, an acknowledgment should be sent.

No. 33. — The Traders Bank presents Chas. Hunter & Co.'s draft at sight. Accept it by writing *Accepted, July 19, 19—, payable at Traders Bank* across the face, and place in Vouchers for Others. In business, the draft would be returned to the bank, and the amount would be deducted from your balance on deposit, and the draft would come back to you when your vouchers are returned to you by your bank. Make an entry on the stub of your check book immediately below the record for the last check as follows: "7 19 —, Chas. Hunter & Co.'s dft. 300," placing the amount in the money column to be added with the checks. Enter in the cash book, debiting *Const. Hunter & Co. No. 1*.

Some banks, in a case like the above, or where a note or time draft is made payable at the bank, would require the drawee of the draft, or the maker of the note, to meet the obligation by check.

No. 34. — Sales for the day as per blotter.

No. 35. — Cashier's payment for the day.

No. 36. — This invoice has been received from Dock & Coal Co., for your order given to the salesman of the house, who has recently called upon you.

Prove the cash and post. Open new creditor accounts on page 11, allowing one-fourth of page to each.

JULY 20

No. 37. — Ship to J. M. Marsh & Co., Boston, Mass., to be sold on commission, 25 bxs. cheese, 2025 lbs., at 12¢; 25 tubs butter, 1500 lbs., at 21¢. Pay insurance, \$1.50, in cash.

No. 38. — Ship to W. A. Simonds & Co. to be sold on commission 1000 bu. potatoes at 62½¢, and pay for insurance, \$1.25.

No. 39. — Draw at 30 days, on J. M. Marsh & Co., for \$300, and place the draft in Traders Bank for collection. Make journal entry, crediting *Shipments* and debiting *Notes Receivable*, since it is understood that Marsh & Co. will accept the draft, also credit Shipment to J. M. Marsh & Co. in shipment ledger for \$300. Make no entry on the stub of the check book. An entry will be made in the back part of your bank pass book by the teller under the head of collections. When the draft is collected you will receive credit for it the same as for a deposit, and you will then enter it on the stub of the check book.

No. 40. — Memorandum of advice from the Iowa Packing Co.

No. 41. — Fill this order from Fischer Flour Co.'s consignment — Redcloud, \$4.75, Snowflake, \$4.00.

No. 42. — Sales from blotter.

No. 43. — Render an account sales of the Fischer Flour Co.'s consignment, and send them a check for the net proceeds, less draft for \$300 accepted July 17.

No. 44. — Invoice from Curtice-Olney & Co.

No. 45. — Invoice from Russell & Birkett.

No. 46. — Cashier's payments.

No. 47. — Check from the City Hotel Co., for the amount due July 1, less 5%. (See model in the cash book, page 100.)

No. 48. — Deposit all cash and checks on hand.

Prove your cash, and post. Allow one-fourth of a page for new accounts. Be sure to open them in the proper sections of the ledger.

JULY 23

No. 49. — This check has been received in payment of bill of July 16, less 3% on the part of the sale which was made from your own merchandise. See if the check is for the correct amount, and if so, enter it in your cash book. Debit *Merchandise Discount* for the difference between the amount of the check and the amount of the bill.

No. 50. — This check is in payment of bill of the 17th, less 3% on that part which was taken from your own merchandise. (Enter as in No. 49.)

No. 51. — Memorandum of shipment by the Fischer Flour Co., under an order bill of lading, with the accompanying sight draft for \$500, which is presented by your bank. Accept the sight draft and make entry on stub of check book, similar to that for transaction No. 33. Enter in your cash book, debiting *Const., Fischer No. 2 advance payment*. Enter the goods on a loose leaf, with the stencil mark *F2*. Opposite *Advances*, in the debit column, write the amount of the sight draft you have accepted.

For an explanation and illustration of the order bill of lading, see Appendix H, Bills of Lading. Note carefully the difference between the form and use of the order bill of lading and the straight bill.

When goods are shipped under an order bill of lading, the usual notice of the arrival of the goods is sent and the receipt forms are made out by the railroad company, but the goods are delivered only on presentation of the bill of lading, properly indorsed, and, of course, the payment of freight charges, if any.

In No. 51, after you had accepted the draft, which in this case was equivalent to issuing your check for the amount, the bank would indorse the bill of lading to E. H. Reed & Co., which would give you title to the goods, and enable you to get them from the railroad company.

No. 52. — Memorandum from Rice & Pond.

No. 53. — Render an account sales to Rice & Pond for consignment No. 2, which is sold out, and send them a check for the net proceeds.

Close the consignment in your consignment ledger, and remove the leaf from the book.

No. 54. — This draft on you by the Western New York Preserving Co. is presented by the bank. Accept the draft.

No. 55. — Fill this order from Theo. Crosby & Co., taking apples, \$3.75 per brl., butter, 24¢ per lb. from Mason's consignment No. 2, and XXX flour, \$5.25 per brl., XX flour, \$5 per brl., Pastry flour, \$5.50 per brl., from your own merchandise. Do not fail to write the stencil number of the consignment opposite the items in the sales book that are taken from Mason's consignment, and enter these amounts on the credit side of the loose leaf in the consignment ledger.

No. 56. — Sales of the day from the blotter.

No. 57. — Cashier's payments for the day. Be careful in calculating your discounts.

Prove the cash, and post.

JULY 24

No. 58. — Invoice from Dock & Coal Co.

No. 59. — Check from F. H. Larkin & Co., with an account sales of shipment sent

them the 17th. Enter in your cash book, placing the amount in the Shipments column, and post to shipment ledger in credit column. Close this shipment account.

No. 60. Check from the National Market Co. in payment of bills of July 17 and 18, less 3% on the part of the bills which have been sold from your own merchandise.

No. 61. Take from your Cash Drawer, D. W. Perry & Co.'s acceptance at sixty days from July 18, for \$220.25, and have it discounted at the bank. (Prepare discount slip as usual.) Notice that the draft is not discounted for 60 days, but for the time it has to run. See that the net proceeds are placed to your credit in your bank pass book. Enter in your cash book and on the left-hand stub of your check book.

No. 62. Memorandum of goods received, freight paid, from the Western New York Preserving Co.

No. 63. — Render an account sales of consignment received from the Iowa Packing Co., and remit net proceeds by New York draft, for which you will pay 25¢ (see No. 21). Make the check for amount of draft and exchange. Indorse the draft properly, and inclose it with the account sales in an envelope addressed to the Iowa Packing Co.

No. 64. Sales as per blotter.

No. 65. Ship to Warren Jordan, New York, to be sold on commission, 150 brls. apples at \$2.75, 800 bu. potatoes at 55¢.

No. 66. — Cashier's payments for the day.

Prove the cash, and post.

JULY 25

No. 67. — Memorandum of shipment by the Iowa Packing Co., under an order bill of lading, with the accompanying sight draft, which is presented by the Traders Bank (see No. 54).

No. 68. — Memorandum of shipment from Edwin Mason & Co. (M-3).

No. 69. Send 500 bu. potatoes at 55¢, and 10 tubs butter at 21¢, to F. H. Larkin & Co., Northboro, to be sold on commission. Take these goods from your own merchandise.

No. 70. — Deposit all checks on hand.

No. 71. — Order received from D. W. Perry & Co. Fill order as usual, taking apples at \$3.50 and butter at 22¢ from H-1; plums at \$1.50 and peaches at \$1.75 from W-2.

No. 72. — Sales from blotter.

No. 73. — Cashier's payments for the day. Make out a check for the bill for building stable, and pay the freight bills in cash. Do not forget to charge each consignment and each shipment with its freight bill. To what account would you charge the check given for building the stable?

No. 74. — Render an account sales of Edwin Mason & Co.'s consignment No. 2, and send them the net proceeds by New York draft. Make out a check for the amount of the draft and 50¢ exchange.

Prove the cash, and post.

JULY 26

No. 75. Invoice from Gillette & Hennigan.

No. 76. Fill D. W. Perry & Co.'s order, taking oranges at \$6, lemons at \$4.75, pine-apples at \$1.80, from your own merchandise; plums at \$1.50, cherries at \$1.50, from W-2.

No. 77. — This order is received from G. H. Tucker & Co., and, as requested, you will draw a sight draft for the amount of the bill. Fill the order, less 3%, taking goods from your own merchandise — pineapples, \$1.80; lemons, \$4.75; cheese, 15¢; ketchup, \$2.50.

Since the sale is, in effect, for cash, you allow them a discount of 3%. Draw the draft and place it in your Cash Drawer for deposit at the close of the day with other drafts and checks received. Enter the amount in your cash book the same as though you had received a check, and check off the debit entry in the sales book and the credit entry in the cash book.

No. 78. — Memorandum of sundry small sales made from your own merchandise (see No. 16.)

No. 79. — Letter from Russell & Birkett, inclosing a draft. Accept this draft.

No. 80. — Check from the City Hotel Co. in payment of bills of July 16 and 17.

No. 81. — Cashier's payment. Pay the freight on Gillette & Hennigan's invoice in cash.

No. 82. — Deposit sight draft of G. H. Tucker & Co. and check of City Hotel Co. Enter the sight draft on your deposit slip under *Checks*, with the explanation, *Sight draft*, opposite the amount.

The acceptance of the sight draft on G. H. Tucker & Co. by the bank as a deposit was by agreement with the cashier. The draft is treated as a check, and if not paid will be charged back to you by the bank. This is not a common practice, but where the depositor is responsible and his account is satisfactory, some banks will extend this courtesy.

Prove the cash, and post.

JULY 27

No. 83. — Return 10 tubs of butter received from Chas. Hunter & Co., as it is found upon examination to be unfit for your trade.

This transaction requires an entry in your consignment ledger. Under *Sales* write *10 tubs butter returned, 600 lbs.* Write a letter to Hunter & Co., telling them why the goods have been returned.

No. 84. — Render an account sales to Rice & Pond for consignment No. 3. Send them a check for the net proceeds.

No. 85. — Sales from blotter.

No. 86. — Cashier's payments. Pay these amounts in currency.

No. 87. — Check from A. W. Noone & Co. for invoice of the 18th inst.

No. 88. — Check from E. B. Dean & Co., in payment of bill of the 17th, less 3% discount on that part of the bill taken from your own goods.

No. 89. — Render an account sales to Chas. Hunter & Co., and place the net proceeds to their credit. Enter in Packages Returned column of the account sales register the 10 tubs butter returned July 27.

No. 90. — Account sales of shipment to J. M. Marsh & Co.

No. 91. — An account sales from W. A. Simonds & Co., New York, with cashier's check for your net proceeds. A cashier's check answers the same purpose as a bank draft. Note closely the form of the check.

No. 92. — Your acceptance of July 17, favor Fischer Flour Co., is due this day at Traders Bank.

No. 93. — Deposit all checks and cash on hand.

STATEMENT OF
WARD AND GRAY

| | | | | | |
|------------------------------------|---------------------|------|----|-----|----|
| Expense | cost | 112 | | | |
| | insurance unexpired | 45 | 65 | 64 | 32 |
| Real Estate | cost | 7200 | | | |
| | valued at | 7350 | | 150 | |
| Furniture and Fixture | cost | 200 | | | |
| | valued at | 175 | | 25 | |
| Horses and Wagon | cost | 275 | | | |
| | valued at | 250 | | 25 | |
| Office Supplies | cost | 35 | | | |
| | valued at | 30 | | 5 | |
| Discount | excess of debits | | | 2 | 40 |
| <i>gain from the business</i> | | | | 160 | 52 |
| | | | | 741 | 24 |
| Interest due Geo. Ward | | 13 | 26 | | |
| " " A. H. Gray | | 12 | 74 | 25 | 97 |
| Geo. Ward, $\frac{1}{2}$ net gain | | 221 | 78 | | |
| A. H. Gray, $\frac{1}{2}$ net gain | | 221 | 77 | 443 | 55 |
| | | | | 469 | 52 |

Prove the cash, and post all unchecked original entries.

Before proceeding further, turn to pages 109 and 200 and carefully read the explanations given there of the various books used in this set.

Closing Books of Original Entry. — Rule and foot the journal, cash book, sales book, invoice book, shipment ledger, and account sales register in accordance with the models shown on preceding pages.

Final Posting. — You will now post to the general ledger the footings of the special columns of your books of original entry, in accordance with the following instructions.

Cash Book. — Debit side. Post the footing of the Mdse. Dis. column to the debit of Merchandise Discount.

Post the footing of the Shipments column to the credit of Shipments.

Credit side. Post the footing of the Mdse. Dis. column to the credit of Merchandise Discount.

Post the footing of the Shipments column to the debit of Shipments.

Post the footing of Consignments column to the debit of Consignments.

Sales Book. — Post the footing of Sales from Consignments column to the credit of Consignments.

Post the footing of Sales from Mdse. column to the credit of Merchandise.

Invoice Book. — Post the footing to the debit of Merchandise.

Shipment Ledger. — Post the footing of the Mdse. column to the debit of Shipments and to the credit of Merchandise.

Account Sales Register. — Post the footing of the Amount to be Posted column to the

LOSSES AND GAINS

JULY 31, 19—

| | | | | |
|-------------------------------------|---------------------|------|----|----------------|
| Shipments | received from sales | 2800 | | |
| | value of unsold | 1445 | 75 | |
| | | 4245 | 75 | |
| Merchandise | cost | 4115 | 42 | 130 33 |
| | sales | 4461 | 27 | |
| | value of unsold | 2747 | 38 | |
| | | 7208 | 65 | |
| | cost | 6844 | 30 | |
| | freight | 115 | 30 | 6959 60 249 05 |
| Mdse. Discount | excess of credits | | | 215 68 |
| Commission | | | | 122 47 |
| Charges | | | | 23 71 |
| | | | | 741 24 |
| Gain from the business brought down | | | | 469 52 |
| | | | | 469 52 |

debit of Consignments, and the Commission and Charges amounts to the credit of their respective accounts.

Your posting is now completed, but you should check back, to be certain that there are no errors or omissions.

Take a trial balance and submit it to your teacher for approval.

You have the following goods on hand:

INVENTORIES, JULY 31, 19—

| | | | |
|----------------------------|--------|---------------------|---------|
| 50 brls. Apples, | \$3.50 | 16 bxs. Lemons, | \$4. |
| 94 doz. C. Beans, | 1. | 5 " Oranges, | 5. |
| 7 tubs Butter, 420 lbs., | .21 | 72 doz. C. Peas, | .85 |
| 27 bxs. Cheese, 2735 lbs., | .11 | 3 brls. S. Pickles, | 7. |
| 72 bxs. C. Corn, | 1.05 | 3 " Sw. Pickles, | 9. |
| 105 brls. 3X Flour, | 4.50 | 489 bu. Potatoes, | .62 1/2 |
| 70 " 2X Flour, | 4.25 | 1 doz. Pineapples, | 1.20 |
| 55 " Pastry Flour, | 4.75 | 133 " C. Tomatoes, | .95 |
| 30 doz. Ketchup, | 2. | | |

Other inventories: Real estate, estimated to be worth \$9700; Unearned premium on insurance policy, \$45.83; Office supplies on hand, \$35; Furniture and fixtures, valued at \$225; Horse and wagon, valued at \$202.50.

Unsold shipments, valued at cost as shown by the shipment ledger, \$1278.10.

Statement of Losses and Gains. — Make a statement of losses and gains of the business, using the model on pages 208 and 209 as a guide to the arrangement of the items, ruling, etc.

STATEMENT OF
WARD & GRAY

| | | | |
|------------------------|----------------------------------|------|----------|
| Real Estate | valued at | 7250 | |
| Expense | insurance unexpired | 43 | 68 |
| Office Supplies | valued at | 37 | |
| Horses and Wagon | " " | 250 | |
| Shipments | " " | 1445 | 75 |
| Merchandise | " " | 2747 | 38 |
| Furniture and Fixtures | " " | 175 | |
| Cash | in bank | 1705 | 60 |
| Notes Receivable | notes on hand | 375 | |
| Accts. Receivable | personal debit balances | 3440 | 45 |
| Consignments | advances made in excess of sales | 520 | 17850 80 |
| Total resources | | | 17850 80 |

Note that the arrangement of the accounts in the statement is slightly different from the form used in the Introductory Course. Merchandise not being the leading account in this business from which the principal profit is derived, it is not given the leading position in the statement as heretofore, but is placed with such other accounts as Shipments, Commission, and Charges, all of which are prominent sources of income.

In this set you have kept a number of subordinate accounts. For instance, Freight account is really a part of the Merchandise account, but has been kept separately to show definitely on the face of the ledger the amount of that item of cost on your goods.

In entering the Merchandise account on the Loss and Gain Statement, the freight must be considered as a part of the cost of your goods.

Other subordinate accounts are Furniture and Fixtures, Horses and Wagon, and Office Supplies. These are really expense accounts, but by keeping separate accounts with these items, the losses of the business are shown in greater detail. They may be closed separately as shown on the statement.

Still other items of expense, with which separate accounts are sometimes kept, are Rent, Wages, Insurance, Advertising, and Postage. In fact, a separate account may be kept with any item which occurs frequently or is of sufficient importance to make it desirable to know what it amounts to in any period. All these accounts, being identical in nature with the Expense account, are treated in the same manner.

After all accounts showing losses or gains have been entered in the Loss and Gain Statement, the difference between the two sides will show the net gain or loss from the business. Enter this on the smaller side, close the statement, and drop the gain or loss from the business below the rulings and to the opposite side.

According to agreement, each partner is to receive interest on his net investment at the legal rate. This equalizes in part their investments and also makes it possible to show on the records how much of the net gain as shown by the statement is creditable to the capital itself, and how much to the handling of that capital in the conduct of the business by the firm. Find the interest on E. H. Reed's investment as shown by his account in the ledger for 31 days, the length of time it has been invested in the present business. Find

LIABILITIES AND RESOURCES.

JULY 31, 19—

| | | | |
|----------------|-------------------------------------|--------------|----------|
| Notes Payable | notes outstanding | 40 00 | |
| Accts. Payable | personal credit balances | 6217 37 | |
| | total liabilities | | 12217 37 |
| Geo. Ward | net investment | 2652. | |
| | interest | <u>13.26</u> | 2665 26 |
| | $\frac{1}{2}$ net gain | <u>221</u> | 78 |
| | present worth | | 2887 04 |
| A. H. Gray | net investment | 2542. | |
| | interest | <u>12.71</u> | 2554 71 |
| | $\frac{1}{2}$ net gain | <u>221</u> | 77 |
| | present worth | | 2776 48 |
| | Total liabilities and present worth | | 17880 80 |

the interest on Student's investment in the same manner. Enter the amounts of these interests on the debit side of the statement as shown in the form. Deduct the sum of the interests from the gain from the business, and the remainder will be the net gain. Divide this gain equally between the partners and close the statement.

Statement of Resources and Liabilities. — Make a statement of resources and liabilities of the business, using the model on pages 210 and 211 as a guide.

The debit side of this statement comprises cash and the various accounts having inventories, followed by Notes Receivable, Accounts Receivable, and Consignments. Accounts Receivable includes all personal accounts showing debit balances.

The credit side of the statement contains the debts due by the firm on notes and on accounts, the latter being designated as Accounts Payable, also the present worth of the partners.

Submit your statements to your teacher for approval before closing the ledger.

No. 94. — Bank voucher slip. Enter the amount of the slip on the credit side of your pass book, and balance and rule up the book.

Take your checks from the file and compare them with the slip; place a check mark against each item as it is found to agree with the check. Return the unpaid checks to the file.

Cancel the paid checks by writing *Paid* across the face of each, and then compare them with the amounts on the check stubs, checking each amount for which you have a canceled voucher. The unchecked amounts represent unpaid checks. Place the canceled checks in Voucher File. Reconcile your bank balance. (See Reconciling Bank Balance, page 194.)

Instead of writing up the depositor's pass book in detail, as was formerly the general custom, many banks now list the charge items on a strip of paper by means of the adding machine, and enter only the total and the balance in the pass book. Other banks render regular monthly statements to their depositors, the forms of which vary. Some of these statements are in envelope form, and show on the outside: the deposits in detail; dates of same; total credits, including previous balance; total debits; and present balance. The vouchers are inclosed in the envelope, but no detailed statement of them is given. Another form of statement, and one which is much appreciated by depositors, is similar to the monthly statement of business concerns. The charge items are listed in detail and footed under Vouchers, on the left side of the form, and the credits, balance, deposits, dates and amounts — are listed under deposits on the right side. This side also shows the total credits, total debits, and balance. This work is also done on the adding machine, and the vouchers are returned with the statement.

Closing the Ledger. Close all loss and gain accounts as usual. Before closing Merchandise account, Freight account should be closed into it; on the credit side of Freight account write in red ink *Merchandise*, with date, amount of debit side, and page of the Merchandise account. Rule, foot, and transfer the amount to the debit side of Merchandise in black ink, writing *Freight*, date, and page of Freight account.

Shipments account is closed on the same principle as the Merchandise account, but the freight on shipments is already included in the debit side, having been so charged on the credit side of cash book.

Before closing an account, carefully inspect the list of inventories to see if the account has an inventory. If it has, be sure to enter the inventory in the account before closing it into *Loss* or *Gain*. Compare your *Loss and Gain* account in the ledger with the Loss and Gain Statement as you proceed.

Consignments account does not show a loss or gain, therefore is not a loss and gain account, and need not be closed. The profits arising out of consignments are shown through the Commission and the Charges accounts. These accounts are closed into Loss and Gain account.

After all loss and gain accounts have been closed into Loss and Gain account, close the Loss and Gain account by writing on the debit side in red ink *Gain from business* and the difference between the two sides. See that this difference agrees with your Loss and Gain Statement. Rule and foot, and drop the *Gain from business* to the credit side of the account in black ink.

As each partner is to be allowed interest on his capital out of the profits of the business, their accounts should now be credited for the interest thus allowed. Make a journal entry crediting each partner for the interest as heretofore determined, and debit Loss and Gain for the amount, and post the entry. Now close the Loss and Gain account in the usual way. Rule and foot the account. Transfer the net gain to the credit side of the partners' accounts, and close the accounts in the usual way, bringing the Present Worth of each below the rulings.

It is the practice of many bookkeepers and accountants, especially in large concerns, to close the books through the journal, instead of making transfer entries directly in the accounts on the ledger, on the principle that "no entry should be made in the ledger except through an original book of entry." The method of closing the books by passing the entries through the journal will be explained later.

Take a proof trial balance of the ledger.

Hand your books and papers to the teacher for inspection.

EXERCISES

NOTE. —Accounts sales in these exercises are to be prepared on fool-cap paper, properly ruled, and the trial balances and statements on loose journal paper. The forms and dates are to be supplied by the student.

1. Received from Klem & Co., Boston, to be sold on their account, 50 crates Bermuda onions; paid freight and cartage, \$5.00; sold 20 crates at \$2.60; 30 crates at \$2.50; commission, 5%; storage, \$2.50. Proceeds credited, subject to sight draft. Render account sales.

2. Received from C. L. Johnson & Company, Charlotte, to be sold on their account, 50 brls. Baldwin apples, 75 brls. Greening apples. Paid freight and cartage, \$16.32; sold 25 Baldwins at \$4 a brl.; 20 at \$4.25; 5 at \$4.50; sold 50 Greenings at \$4.50; 25 at \$4.75; commission, 5%; cold storage, \$6.25; cooperage, \$1. Proceeds remitted by N. Y. draft, less exchange 50¢. Render an account sales.

3. Shipped to James Goodman & Son, Chicago, to be sold on your account, 40 crates celery, freight prepaid, \$7.50. Sold 10 crates at \$2.50; 24 at \$2.25; 5 at \$2; 1 crate spoiled, no sale. Commission, 4%; guarantee, 1%; cartage, 75¢. Proceeds received by Chicago draft, less exchange 50¢. Prepare the invoice of shipment and the account sales.

4. The Empire Trading Company, Cincinnati, received from the Newman Mfg. Company, Little Falls, to be sold on commission, 100 cases, assorted prints. Freight and cartage, \$37.50, paid by the consignee. The goods were sold in four lots, as follows: 25 cases at \$24.75; 15 cases at \$25.25; 30 cases at \$25; 20 cases at \$26.25. Commission, 7½%; insurance, ½%; advertising, \$5. Advance payment by sight draft, \$150, and proceeds paid by check. Render an account sales.

5. Giglio & Segni, commission merchants, New York, received from Castelli & Pietro, Messina, Italy, to be sold on their account and risk, 100 boxes fancy oranges, 100 boxes choice lemons. The consignees paid customs duties, etc., \$57.50; freight and drayage, \$5.35. They sold the oranges at \$3.50 per box, and the lemons at \$3.25 per box. Their charges were: commission 5%, insurance \$2.50, storage \$2.25, guarantee 1%; and they remitted the net proceeds in Palermo funds, less exchange, 9.75 liras. Render an account sales in liras. (The value of a lira is 19.3 cents in United States money.)

6. Beebe & Coleman conduct a produce commission business. Each invested \$2500, and they share the gains equally. Beebe receives a salary of \$80 per month, during the five "season" months, for extra services. The withdrawals on private account are limited to \$100 a month, excepting during the "season" months, when Beebe may draw \$150 a month. The partners' personal accounts are to be adjusted annually before Dec. 31. The books are to be closed annually Nov. 30. The investment accounts are to remain stationary. Following is an abstract of the general ledger, Nov. 30, 19—, of the above firm: *Credits*.—Commission, \$4895.84; Sundry Charges, \$143.92; Accounts payable, \$146.97; W. H. Beebe, \$2500; T. R. Coleman, \$2500. *Debits*.—Furniture and Fixtures, \$575; Expense, \$1782.67; Accounts receivable, \$2652.18; Advances, \$346.26; W. H. Beebe, personal, \$1475; T. R. Coleman, personal, \$850. The cash in bank and in safe is \$2505.62; the furniture and fixtures are valued at \$525.

From the above data make a trial balance, and prepare statements of loss and gains and of resources and liabilities.

7. The statement of losses and gains of Drake & Smith, commission merchants, Dec. 31, 19—, shows the following: *Gains*.—Commission, \$3796.86; Cartage, \$312.40; Discount, \$91.54; Shipments, \$1320.06; Merchandise, \$4652.72. *Losses*.—Rent, \$1200; Salaries, \$1875; Insurance, \$63.75; Freight, \$119.26; Interest, \$31.52; Furniture and Fixtures, \$75; General expenses, \$87.49. Rule an account form on a sheet of cap paper and show the Loss and Gain account of the above firm as it would appear after the books had been closed for the year, ending Dec. 31, 19—. The partners share the gains in the proportion of Drake $\frac{2}{3}$ and Smith $\frac{1}{3}$.

8. Using the model cash book, shown on pages 190 and 191, as a guide, rule a form of cash book on loose journal paper which you think would meet the requirements of a purely commission business, where the conditions are as follows: Numerous cash payments are made for freight, cartage, and expense items; a general expense and separate freight and cartage accounts are kept; a separate ledger is kept for customers' accounts, and payments on these accounts are made chiefly in cash. Explain the advantages which you believe your form of cash book possesses over the ordinary form.

9. Assume that you have accepted a position as bookkeeper for E. A. Raschke, produce commission merchant, and, upon taking charge of the books, you find the following conditions to exist: (1) A trial balance has not been taken in several months; (2) the cash has not been balanced in over two weeks; (3) the bank pass book has not been written up for nearly three months; (4) the books consist of a receiving book, an ordinary form of sales book, an ordinary form of cash book, and a ledger; (5) besides handling produce on consignment, the proprietor buys and sells other products on his own account.

State what steps you would take to meet the first three conditions; what changes you would recommend in the books, either in form or number or both; state what accounts you would keep in the general ledger, so that the proprietor could, by reference to it, easily and quickly determine at any time the particulars regarding his business which a commission merchant should know.

The following exercises are given for practice in schools which have adding machines.

10. Prove the charge postings to your accounts receivable accounts by listing on the adding machine, first the charge sides from your sales book, and second, the debit footings of the accounts, and comparing the footings of the two lists.

11. Prove the credit postings to your accounts receivable accounts by listing, first, the credit payments from the cash book, and second, the credit footings of the accounts, and comparing the footings of the two lists.

12. Prove the credit postings to your accounts payable accounts by listing, first, the purchases from your invoice book, and second, the credit footings of the accounts, and comparing the two footings.

13. Prove the debit postings of your accounts payable accounts by listing, first, the debit payments from the cash book, and second, the debit footings of the accounts, and comparing the two footings.

14. Prove the accounts receivable accounts by comparing the difference between the debit and credit footings of the lists obtained in exercises 10 and 11 with the balance of the accounts receivable, as shown by your statement of resources and liabilities.

15. Prove the accounts payable accounts by comparing the difference between the footings of the lists obtained in exercises 12 and 13 with the balance of the accounts payable, as shown by your statement of resources and liabilities.

QUESTIONS

1. In most lines of business, how are goods usually marketed?
2. In what other way do some producers and manufacturers dispose of their products?
3. Define commission business, and state how a commission merchant receives payment for his services.
4. Define consignor, consignee, consignment, shipments.
5. Describe the method of marking goods so that it may be known to what consignment they belong.
6. Give the rule for debiting and crediting Shipments.
7. Give the rule for debiting and crediting Consignments.
8. What is the consignment ledger, and what are the advantages of the loose-leaf method of keeping accounts with consignments?
9. Define advances, and state where they should be entered in the consignment ledger.
10. When all the goods of a consignment have been sold and the entries of sales made in the consignment ledger, how should you proceed to close the account in the consignment ledger?
11. What extra columns appear in the cash book of this business?

12. What are the advantages of having special columns in the cash book?
13. When should a special column be provided for an account?
14. How are merchandise discounts posted?
15. What items appear in the Shipments column on the debit side of the cash book? On the credit side?
16. What items should appear in the Consignments column of the cash book?
17. What is the object of the shipment ledger?
18. What special columns appear in the sales book?
19. How are sales from consignments indicated in the sales book?
20. Describe the account sales register. What accounts are posted from this book?
21. What is a controlling account, and what is the object of such an account?
22. Name the controlling accounts used in this set.
23. Of what ledgers are the controlling accounts in this set an abstract?
24. How do you prove a ledger which has a controlling account?
25. Is this an absolute proof of the accuracy of the work in both the ledger and the controlling account?
26. Where should you post the footing of the Consignments column from the credit side of the cash book?
27. Where should you post the footing of the Sales from Consignments column of the sales book?
28. How should you post the Amounts to be Posted column of the accounts sales register?
29. What is meant by "net proceeds"?
30. Give a full explanation of the Shipments account.
31. What result does the Shipments account show?
32. Explain fully the Consignments account.
33. What does the balance of the Consignments account show?
34. Why must Consignments account balance when all consignments have been disposed of?
35. Why does the Consignments account never show a gain?
36. What accounts show the profits from consignments?
37. What is the object of keeping a separate account with Freight?
38. How should this account be closed? Why?
39. What is the object of subdividing the Expense account into Furniture and Fixtures, Horse and Wagon, Office Supplies, etc.?
40. Name some other accounts that may be kept in this manner.
41. How may copies of business papers be quickly made?
42. Explain two methods of indexing ledgers and impression books.
43. How was the bank account kept in this business?
44. In what ways may detailed records of deposits be kept?
45. Explain how you would reconcile the bank balance.

WHOLESALE DRY GOODS BUSINESS

Wholesaling — Buying and selling merchandise in bulk, — that is, by the dozen, gross, case, or lot, etc., — instead of by the single article, is called "wholesaling." It is a form of business activity which is between manufacturing, or producing, and retailing, and is an important department of commerce. Some manufacturers also do a wholesale business, selling direct to the retail trade.

The wholesaler generally buys from the producer and sells to the retailer. Sometimes he buys from middlemen, called jobbers, selling agents, and commission merchants, who act as agents for others, generally manufacturers or producers. Middlemen derive their revenue or profit chiefly from commissions on sales made for others, while wholesalers obtain their revenue chiefly from sales of merchandise which they have previously bought. The principal revenue account of middlemen is "Commissions," and that of wholesalers is "Merchandise" or "Trading Account" which represents it. Buying and selling merchandise is called "trading," and the amount of merchandise sold during a fiscal or business period, figured at prime cost, is called the "turnover."

While there are many lines of wholesaling, some of which have more or less special characteristics, certain forms of accounting records are used which are common to all. The dry goods business has been selected for this work, to illustrate wholesaling practices and accounting, because of its representative character, both as regards commodities and records.

Books kept in Wholesale Business. — The books kept in a wholesale dry goods business do not differ in principle from those used in other lines of business; but most progressive houses make use of modern labor-saving forms of account keeping, including special column books, impression sales books, loose-leaf sales sheets, loose-leaf ledgers, etc., wherever practicable.

Books to Keep. — The books which you will keep in this work are the journal, sales book, invoice book, cash book, purchase journal, sales journal, general ledger, sales ledger, purchase ledger, and bill book.

Journal. — On the debit side, the journal here used is provided with the following columns: Notes Receivable, Accounts Payable, General. All notes received are entered in the Notes Receivable column. The several items in this column are checked but not posted. The footing of the column is posted to the debit of Notes Receivable in the general ledger. (See Model Journal, page 217.)

When a creditor is paid by note, he is charged in the column entitled "Accounts Payable." The several items in this column are posted to the debit of the proper accounts in the purchase ledger. The footing of this column is posted to the debit of the controlling account, Accounts Payable, in the general ledger.

Debit journal amounts other than those provided for above are entered in the General column. The several items in this column are posted to the debit of the proper accounts in the general ledger. The footing is not posted.

/

The journal is provided with the following columns on the credit side: General, Accounts Receivable, Notes Payable. Whenever a customer gives a note on account, he is credited with the amount of the payment in the column entitled "Accounts Receivable." The several items in this column are posted to the credit of the proper accounts in the sales ledger. The footing of this column is posted to the credit of the controlling account, Accounts Receivable, in the general ledger.

When a note is issued on account, the credit entry is made in the Notes Payable column. The footing of this column is posted to the credit of Notes Payable in the general ledger. The several items are checked but not posted.

All credit journal amounts other than those provided for above are entered in the General column. The several items in this column are posted to the credit of the proper accounts in the general ledger. The footing is not posted.

The special columns, Accts. Pay. and Notes Rec. on the debit side of the journal, and Accts. Rec. and Notes Pay. on the credit side, are footed at the end of the month, and the amounts are transferred to the General columns, and the proper ledger titles are written opposite them in the explanation column. The journal is then ruled up (see page 217).

Cash Book - On the debit side the cash book is provided with the following columns: Accounts Receivable, Disc. Allowed, Amount Received, Sales, General. (See above form.)

As is

| DATE | L. F. | DATE AND EXPLANATION | ACCOUNTS RECEIVABLE | DISCOUNT ALLOWED | AMOUNT RECEIVED | SALES | GENERAL |
|------|-------|----------------------|---------------------|------------------|-----------------|-------|---------|
| 1911 | | Jan 1 Balance | | | | | |
| | | Jan 10 Cash | | | | | |
| | | Jan 15 Cash | | | | | |
| | | Jan 20 Cash | | | | | |
| | | Jan 25 Cash | | | | | |
| | | Jan 30 Cash | | | | | |
| | | Feb 5 Cash | | | | | |
| | | Feb 10 Cash | | | | | |
| | | Feb 15 Cash | | | | | |
| | | Feb 20 Cash | | | | | |
| | | Feb 25 Cash | | | | | |
| | | Feb 30 Cash | | | | | |
| | | Mar 5 Cash | | | | | |
| | | Mar 10 Cash | | | | | |
| | | Mar 15 Cash | | | | | |
| | | Mar 20 Cash | | | | | |
| | | Mar 25 Cash | | | | | |
| | | Mar 30 Cash | | | | | |
| | | Apr 5 Cash | | | | | |
| | | Apr 10 Cash | | | | | |
| | | Apr 15 Cash | | | | | |
| | | Apr 20 Cash | | | | | |
| | | Apr 25 Cash | | | | | |
| | | Apr 30 Cash | | | | | |
| | | May 5 Cash | | | | | |
| | | May 10 Cash | | | | | |
| | | May 15 Cash | | | | | |
| | | May 20 Cash | | | | | |
| | | May 25 Cash | | | | | |
| | | May 30 Cash | | | | | |
| | | Jun 5 Cash | | | | | |
| | | Jun 10 Cash | | | | | |
| | | Jun 15 Cash | | | | | |
| | | Jun 20 Cash | | | | | |
| | | Jun 25 Cash | | | | | |
| | | Jun 30 Cash | | | | | |
| | | Jul 5 Cash | | | | | |
| | | Jul 10 Cash | | | | | |
| | | Jul 15 Cash | | | | | |
| | | Jul 20 Cash | | | | | |
| | | Jul 25 Cash | | | | | |
| | | Jul 30 Cash | | | | | |
| | | Aug 5 Cash | | | | | |
| | | Aug 10 Cash | | | | | |
| | | Aug 15 Cash | | | | | |
| | | Aug 20 Cash | | | | | |
| | | Aug 25 Cash | | | | | |
| | | Aug 30 Cash | | | | | |
| | | Sep 5 Cash | | | | | |
| | | Sep 10 Cash | | | | | |
| | | Sep 15 Cash | | | | | |
| | | Sep 20 Cash | | | | | |
| | | Sep 25 Cash | | | | | |
| | | Sep 30 Cash | | | | | |
| | | Oct 5 Cash | | | | | |
| | | Oct 10 Cash | | | | | |
| | | Oct 15 Cash | | | | | |
| | | Oct 20 Cash | | | | | |
| | | Oct 25 Cash | | | | | |
| | | Oct 30 Cash | | | | | |
| | | Nov 5 Cash | | | | | |
| | | Nov 10 Cash | | | | | |
| | | Nov 15 Cash | | | | | |
| | | Nov 20 Cash | | | | | |
| | | Nov 25 Cash | | | | | |
| | | Nov 30 Cash | | | | | |
| | | Dec 5 Cash | | | | | |
| | | Dec 10 Cash | | | | | |
| | | Dec 15 Cash | | | | | |
| | | Dec 20 Cash | | | | | |
| | | Dec 25 Cash | | | | | |
| | | Dec 30 Cash | | | | | |
| | | Balance | | | | | |

When a customer pays on account, the amount of the invoice is entered in the column entitled "Accounts Receivable." If discount is allowed, the amount of the discount is entered in the column entitled "Discount Allowed." The amount of cash received is entered in the column entitled "Amount Received." All cash sales of merchandise are entered in the column entitled "Sales" and checked in the L. F. column. Other debit amounts are entered in the column entitled "General."

The several items in the column entitled "Accounts Receivable" are posted to the credit of the proper accounts in the sales ledger. The footing of this column is brought down and extended into the General column, with the explanation Accts. Rec., and the amount is posted to the credit of the controlling account, Accounts Receivable, in the general ledger. The column entitled "Discount Allowed" is footed in red ink and the footing is transferred in black ink to the credit side of the cash book and extended into the General column, with the explanation "Discount on Sales, contra," and the amount is posted to the debit of Discount on Sales in the general ledger. Neither the items nor the footing of the column entitled "Amount Received" is posted. The several items in the General column are posted to the credit of the proper accounts in the general ledger. The footing of the column entitled "Sales" is brought down and extended into the General column, with the explanation, Sales, and the amount is posted to the credit of Sales in the general ledger.

the date, amount, and explanation, *short or over*, of each item. The net amount of the slip is taken into account in proving the cash for the next proving date.

If any difference in cash exists at the end of the month, a cash book entry should be made, debiting or crediting Cash Differences account for the amount. The slip, when one is used, should be filed as a voucher.

When a cash difference is located that has been previously entered in the Cash Differences account, a cash book entry should be made to adjust it. If the item belongs to the current month, it must be treated according to the facts; if the difference was due to an error in recording the amount, or in addition, proper correction of the figures should be made. If it was due to a mistake in paying out or receiving currency, and the error is adjusted by the receipt or payment of the amount, no entry is necessary, except on the difference slip, when one is kept. If the amount is not received or paid, and the matter has been satisfactorily settled, the proper entry should be made in the cash book.

At the end of a business period, the balance, if any, of the Cash Differences account is usually treated as a profit or a loss.

Invoice Book and Sales Book. — These books will not differ either in form or use from those previously kept, but in the sales book cash sales are placed in a special cash column.

The invoice book will be used as a principal book in August, as heretofore, and as an auxiliary book in September. In August the invoice book will be footed, and the explanation, "Purchases" (Dr.), "Accts. Payable" (Cr.) written on two lines opposite the footing; purchases on the first line and Accts. Payable on the second, and a little to the right, to show that it is a credit item.

The sales book will also be used as a principal book in August, but will be dispensed with in September. The columns in the sales book are Items, Cash, and On Account. The several items in the On Account column are posted to the debit of their respective accounts in the sales ledger. The several items in the Cash column are checked and not posted. The Cash and On Account columns are footed, and the footing of the On Account column is brought down and "Accounts Receivable" (Dr.), "Sales" (Cr.) are written opposite it in the explanation column; and the amount is posted to the debit of the Accounts Receivable account and to the credit of Sales account, in the general ledger. The footing of the Cash column is not posted from the Sales book but is compared with the footing of the Sales column in the cash book, and checked.

Purchase Journal. — This book contains a record of the invoices of goods bought. It is the ordinary form of two-column journal, one column for daily items and the other for daily and other totals. When an invoice reaches the bookkeeper, it is entered in the purchase journal. Only the date, serial number or department letter, name of the creditor, and amount of the invoice appear in this book. The serial number or department letter is next written on the invoice, and it is then posted to the proper account in the purchase ledger. It is then pasted in the invoice book. The several items in the purchase journal are not posted, but the footing is posted at the end of the month to the debit of Purchases account, and to the credit of Accounts Payable account, in the general ledger. The purchase journal will be used in the September work.

Sales Journal. — This book contains a record of the sales. Only the date, name, and amount of the sale appear in this book. The complete record of the sale appears on the duplicate bills, from which the posting is done and the entries in the sales journal are made. The form of the sales journal is the same as that of the sales book used in August, excepting

that it contains no cash column, and it is footed at the end of the month, posted and closed the same as that book, the entry being "Accounts Receivable" (Dr.) "Sales" (Cr.) for the amount. The sales journal will be used in the September work.

Bill and Charge System. — Instead of making bills singly with the pen or typewriter, they can be made in duplicate, triplicate, etc., on a billing machine or a typewriter, by the use of carbon sheets, and one of the copies used as the original entry, or posting medium, thereby dispensing with the necessity of the sales book. This is called "the bill and charge system." The original bill is sent to the customer, the duplicate to the bookkeeper, and the triplicate is placed in a binder in the shipping department, for reference. From the duplicate, the entry is made in the sales journal, as explained above, and after the serial number has been written on the bill, the account in the sales ledger is charged from it, after which the bill is filed in a numeric binder. The duplicate bills support the records in the sales journal, the same as the invoices pasted in the invoice book support the records in the purchase journal.

No. 10000, 100000, 1000000

SHEPARD

Sold to *Virginia, N. C.* December 11, 1919.

Mr. H. H. Holmes,
Mechanician,
P. I.

| DATE | QUANTITY | ARTICLES | PRICE | CHARGE | TOTAL | CREDIT |
|------|----------|------------------|-------|--------|-------|--------|
| 1 | 1 | 1 Fr. three S&S | 5.00 | | 5.00 | |
| 2 | 1 | 1 Edge | 75 | | 75 | |
| 3 | 1 | 1 100 - Ribbon | 10 | | 10 | |
| 4 | 1 | 1 Pocket Book | 75 | | 75 | |
| 5 | 10 | 1 100 - Expanses | 8.00 | | 8.00 | |
| 6 | 11 | 2 100 - | 10 | | 10 | |
| 7 | 1 | 1 100 - | 40 | | 40 | |
| 8 | 1 | 1 100 - | 25 | | 25 | |
| 9 | 1 | 1 100 - | 15 | | 15 | |
| 10 | 1 | 1 100 - | 25 | | 25 | |
| 11 | 1 | 1 100 - | 49 | | 49 | |
| 12 | 1 | 1 100 - | 60 | | 60 | |
| 13 | 1 | 1 100 - | 50 | | 50 | |
| 14 | 1 | 1 100 - | 50 | | 50 | |
| 15 | 1 | 1 100 - | 50 | | 50 | |
| 16 | 1 | 1 100 - | 50 | | 50 | |
| 17 | 1 | 1 100 - | 50 | | 50 | |
| 18 | 1 | 1 100 - | 50 | | 50 | |
| 19 | 1 | 1 100 - | 50 | | 50 | |
| 20 | 1 | 1 100 - | 50 | | 50 | |
| 21 | 1 | 1 100 - | 50 | | 50 | |
| 22 | 1 | 1 100 - | 50 | | 50 | |
| 23 | 1 | 1 100 - | 50 | | 50 | |
| 24 | 1 | 1 100 - | 50 | | 50 | |
| 25 | 1 | 1 100 - | 50 | | 50 | |
| 26 | 1 | 1 100 - | 50 | | 50 | |
| 27 | 1 | 1 100 - | 50 | | 50 | |
| 28 | 1 | 1 100 - | 50 | | 50 | |
| 29 | 1 | 1 100 - | 50 | | 50 | |
| 30 | 1 | 1 100 - | 50 | | 50 | |
| 31 | 1 | 1 100 - | 50 | | 50 | |
| 32 | 1 | 1 100 - | 50 | | 50 | |
| 33 | 1 | 1 100 - | 50 | | 50 | |
| 34 | 1 | 1 100 - | 50 | | 50 | |
| 35 | 1 | 1 100 - | 50 | | 50 | |
| 36 | 1 | 1 100 - | 50 | | 50 | |
| 37 | 1 | 1 100 - | 50 | | 50 | |
| 38 | 1 | 1 100 - | 50 | | 50 | |
| 39 | 1 | 1 100 - | 50 | | 50 | |
| 40 | 1 | 1 100 - | 50 | | 50 | |
| 41 | 1 | 1 100 - | 50 | | 50 | |
| 42 | 1 | 1 100 - | 50 | | 50 | |
| 43 | 1 | 1 100 - | 50 | | 50 | |
| 44 | 1 | 1 100 - | 50 | | 50 | |
| 45 | 1 | 1 100 - | 50 | | 50 | |
| 46 | 1 | 1 100 - | 50 | | 50 | |
| 47 | 1 | 1 100 - | 50 | | 50 | |
| 48 | 1 | 1 100 - | 50 | | 50 | |
| 49 | 1 | 1 100 - | 50 | | 50 | |
| 50 | 1 | 1 100 - | 50 | | 50 | |
| 51 | 1 | 1 100 - | 50 | | 50 | |
| 52 | 1 | 1 100 - | 50 | | 50 | |
| 53 | 1 | 1 100 - | 50 | | 50 | |
| 54 | 1 | 1 100 - | 50 | | 50 | |
| 55 | 1 | 1 100 - | 50 | | 50 | |
| 56 | 1 | 1 100 - | 50 | | 50 | |
| 57 | 1 | 1 100 - | 50 | | 50 | |
| 58 | 1 | 1 100 - | 50 | | 50 | |
| 59 | 1 | 1 100 - | 50 | | 50 | |
| 60 | 1 | 1 100 - | 50 | | 50 | |
| 61 | 1 | 1 100 - | 50 | | 50 | |
| 62 | 1 | 1 100 - | 50 | | 50 | |
| 63 | 1 | 1 100 - | 50 | | 50 | |
| 64 | 1 | 1 100 - | 50 | | 50 | |
| 65 | 1 | 1 100 - | 50 | | 50 | |
| 66 | 1 | 1 100 - | 50 | | 50 | |
| 67 | 1 | 1 100 - | 50 | | 50 | |
| 68 | 1 | 1 100 - | 50 | | 50 | |
| 69 | 1 | 1 100 - | 50 | | 50 | |
| 70 | 1 | 1 100 - | 50 | | 50 | |
| 71 | 1 | 1 100 - | 50 | | 50 | |
| 72 | 1 | 1 100 - | 50 | | 50 | |
| 73 | 1 | 1 100 - | 50 | | 50 | |
| 74 | 1 | 1 100 - | 50 | | 50 | |
| 75 | 1 | 1 100 - | 50 | | 50 | |
| 76 | 1 | 1 100 - | 50 | | 50 | |
| 77 | 1 | 1 100 - | 50 | | 50 | |
| 78 | 1 | 1 100 - | 50 | | 50 | |
| 79 | 1 | 1 100 - | 50 | | 50 | |
| 80 | 1 | 1 100 - | 50 | | 50 | |
| 81 | 1 | 1 100 - | 50 | | 50 | |
| 82 | 1 | 1 100 - | 50 | | 50 | |
| 83 | 1 | 1 100 - | 50 | | 50 | |
| 84 | 1 | 1 100 - | 50 | | 50 | |
| 85 | 1 | 1 100 - | 50 | | 50 | |
| 86 | 1 | 1 100 - | 50 | | 50 | |
| 87 | 1 | 1 100 - | 50 | | 50 | |
| 88 | 1 | 1 100 - | 50 | | 50 | |
| 89 | 1 | 1 100 - | 50 | | 50 | |
| 90 | 1 | 1 100 - | 50 | | 50 | |
| 91 | 1 | 1 100 - | 50 | | 50 | |
| 92 | 1 | 1 100 - | 50 | | 50 | |
| 93 | 1 | 1 100 - | 50 | | 50 | |
| 94 | 1 | 1 100 - | 50 | | 50 | |
| 95 | 1 | 1 100 - | 50 | | 50 | |
| 96 | 1 | 1 100 - | 50 | | 50 | |
| 97 | 1 | 1 100 - | 50 | | 50 | |
| 98 | 1 | 1 100 - | 50 | | 50 | |
| 99 | 1 | 1 100 - | 50 | | 50 | |
| 100 | 1 | 1 100 - | 50 | | 50 | |

Total 50.00

directly from the bill book to their respective accounts, and the monthly footings to the Notes Receivable and Notes Payable accounts in the general ledger.

Ledgers. — Three ledgers are used in this work, viz., purchase ledger, sales ledger, and general ledger. The purchase ledger contains the accounts of all persons from whom goods are purchased on account. The sales ledger contains the accounts of all persons to whom goods are sold on account. Both these ledgers are provided with special columns.

The purchase ledger and sales ledger are subsidiary to the general ledger, and are connected with it by their controlling accounts, Accounts Payable, and Accounts Receivable. The difference between the sides of the Accounts Payable account in the general ledger should always agree with the difference between the sides of the purchase ledger. The difference between the sides of the Accounts Receivable account in the general ledger should always agree with the difference between the sides of the sales ledger.

The general ledger contains all the accounts of the business which are not kept in the purchase ledger or the sales ledger, together with the controlling accounts of those ledgers.

The Balance Ledger. In this month's work you will use what is known as the "balance ledger" for the form of your purchase ledger and sales ledger. See form of Balance Ledger, page 223.

WARNER, DEFOREST & CO.,

AMSTERDAM, N.Y.

| DATE | DESCRIPTION | TERMS | LOL | DEBIT | BALANCE | CREDIT | DATE | FOR | EXTRA AMOUNT |
|--------|-------------|-------------|-----|--------|---------------------|---------------------|---------|-----|------------------|
| 19— | | | | | 812 70 | | 19— | | |
| July 1 | Bal | J | 1 | 812 70 | ¹ 812 70 | ¹ 812 70 | July 10 | 12 | C |
| 9 | S. B. | 5% 10 ds. | 7 | 215 70 | ² 215 70 | ² 215 70 | 10 | 14 | C |
| 14 | " | 2/20 Net 30 | 9 | 168 70 | ³ 210 25 | ³ 210 25 | 21 | 14 | C |
| 18 | " | " " | 11 | 415 60 | ⁴ 168 70 | ⁴ 168 70 | 23 | 16 | C |
| 20 | " | Net 60 ds. | 12 | 388 70 | ⁵ 415 60 | ⁵ 415 60 | 28 | 18 | Note 4 mos. Int. |
| 20 | " | 2/10 | 12 | 412 20 | ⁶ 412 20 | ⁶ 412 20 | 30 | 18 | C |
| 21 | " | Cash | 13 | 210 25 | ³ | | | | |
| 26 | " | Net 30 ds. | 14 | 160 40 | 549 10 | | | | |

The headings of the columns of the balance ledger explain their uses. The Debit and Credit columns are placed near together, with the Balance column between. This form of subsidiary ledger is specially adapted for use in any business where the terms are specific and induce or require prompt settlement of every sale or purchase. When any particular bill has been paid, instead of ruling off the items, a small figure is written opposite each of the amounts. (See model form, above.) A glance at the account shows what bills remain unpaid, and in taking a balance of the account only these amounts are considered. The balance of an account is written in the Balance column at the end of the month, and should agree with the monthly statement sent to the debtor or received from the creditor. Only the balance at the end of the current month should be included in the schedule of balances or proof of the balance ledger.

Sectional Sales Ledgers.—When it is not convenient or desirable to keep all of the accounts with customers in one sales ledger, these accounts may be divided, and each division kept in a separate or sectional sales ledger. The accounts may be divided alphabetically, geographically, or in any other way that may be desired, and the separate ledgers will be known by the accounts which they contain, as Sales Ledger A—D, Ohio Sales Ledger, City Sales Ledger, Dept. G. Sales Ledger, etc. Each sales ledger will have its own sales book or books, and may have a separate controlling account, or all of them may be controlled by the main controlling account, Accounts Receivable account.

Self-Balancing Ledgers.—A subsidiary ledger from which a trial balance can be taken without reference to its controlling account in the general ledger is called a *self-balancing ledger*. A subsidiary ledger may be made self-balancing by constructing in it a controlling account, and posting to that account the amounts which are posted to the controlling account in the general ledger, from the original books of entry, such as the footings of the sales book or purchase book, and of the accounts receivable or accounts payable columns in the cash book. Since the items represented by the footings have been posted to the proper sides of the separate accounts in the subsidiary ledgers, these footings must be posted to the opposite sides of the controlling accounts in the subsidiary ledgers.

The advantage of the self-balancing ledger is that the assistant bookkeepers can prove their ledgers at the end of the month, or at other times, without having to refer to the general ledger, or to obtain from the head bookkeeper the balances of their controlling accounts.

The title of the controlling account in a subsidiary ledger may be the same as that in the general ledger, as Accounts Receivable, or Sales, for the sales or customers' ledger, or it may have the title *Controlling Account*, or the title *General Ledger*.

In the work for September the student will convert his purchase ledger and his sales ledger into self-balancing ledgers, by constructing a controlling account in each of these ledgers, under the title *Controlling Account*, and after posting the footings of the original books of entry to the proper controlling accounts in the general ledger, as heretofore, he will re-post these footings to the opposite sides of the controlling accounts in the subsidiary ledgers, checking the amounts posted in the usual way. The two check marks against each footing will show that the amount has been posted to both controlling accounts.

Private Ledger. When it is desired not to have the general ledger show the capital accounts of the proprietors, and other accounts which may be considered of a private nature, these accounts are kept in a subsidiary ledger, called a "private ledger," and a controlling account, Private Ledger, is opened in the general ledger. The private ledger and the private books, which are used in connection with it, are usually kept by a member of the firm, or by the confidential man of the concern.

Accounts Kept — The accounts kept in any business will depend chiefly upon its character and size, and the detailed information which the proprietor desires to have the books show.

Some accounts are applicable to nearly all lines of business and will usually be found in nearly every set of books. In a mercantile business, Merchandise account is the principal trading or revenue account, and in a wholesale business this account may be represented by subdivisions, as Inventory, Purchases, Sales, Discount on Purchases, Discount on Sales, Returned Sales, Returned Purchases, Allowances by Others, Allowances to Others, Freight Inward. The principal deduction from revenue in a mercantile business is expense, and in a wholesale business the expense account may be represented by subdivisions, as Salaries, Rent, Insurance, Horses and Wagons, Taxes, etc., and these may be classified as Selling expenses, General and Administrative expenses.

It is desirable to have the number of accounts in the general ledger as few as possible, consistent with good accounting, and at the same time have proper regard for the classification and details of the business. This can be accomplished by the use of special books of original entry, and subsidiary or underlying ledgers.

Analyzing Accounts. — When more detailed information is desired regarding any phase of a business than is shown by the footings or balance of the account which it represents, this may be obtained by "analyzing the account." This is done by drawing off the items in the account on an "analysis sheet," where they are classified and entered in separate columns, headed according to the information which it is desired to obtain.

Division of Accounts. Accounts are usually divided into three general classes: namely, Real accounts, Personal accounts, and Nominal accounts.

Real accounts are accounts which represent property or values, such as Cash, Merchandise, Inventory, Real Estate, etc. Personal accounts are accounts with debtors and creditors of the business, and include the capital account, which, although not a liability, represents the amount for which the business is accountable to the proprietor. Notes Payable, Notes Receivable, Mortgages Payable, Mortgages Receivable accounts are also classed as Personal Accounts. Real accounts and Personal accounts are called "continuing accounts," because they are not opened or set up for any definite period.

Nominal accounts are accounts which are opened or raised for temporary purposes, and

are closed at the end of a business period, such as Rent, Salaries, Insurance, Taxes, Purchases, Sales, Profit and Loss, etc.

Most nominal accounts show profits or losses, but the subdivisions of the merchandise account show "activities," namely, the trading of the business, and the main account shows the profit or loss.

Nominal accounts possess the elements of real accounts when they represent assets or liabilities, such as interest accrued and not paid, unearned insurance, and property on hand at the beginning of a fiscal period which was previously charged to nominal accounts, such as office supplies, shipping supplies, etc.

Accounts to Construct. — In addition to most of the accounts with which you are already familiar, you will construct other real and nominal accounts in this business. These will be indicated and explained as they arise in the work.

The general ledger will be both opened and closed by passing the entries through the journal.

Assets and Liabilities. — The assets of a business consist of all property and rights belonging to the business which have a money value. The liabilities of a business are the amounts due to outside parties, as distinguished from its obligations to the proprietors or the stockholders. The assets and liabilities of a business may be divided into fixed assets and floating assets, fixed liabilities and floating liabilities.

Fixed assets are the permanent assets which are necessary for conducting the business, such as the furniture and fixtures of a store, plant and machinery of a factory, office equipment, etc. *Floating or current assets* are the assets which are constantly changing in quantity and value as the result of the operations of the business, such as cash, merchandise, notes receivable, accounts receivable, supplies, etc. These assets may be sold or realized without interfering with a business or its operations. Floating assets are also called *circulating* assets. Floating assets which consist of cash, or can be readily converted into cash, such as checks, demand notes, securities which have a ready market, are called quick assets; also called *liquid* assets.

Fixed liabilities include obligations which are not payable for a long time, such as mortgages, mortgage bonds, etc., and are liens on some of the fixed assets. *Floating or current liabilities* are the claims of creditors which will have to be met with in a short time, as notes payable, accounts payable, interest accrued but not due, etc. Liabilities which are not absolute, but which may come into existence as the result of the happening of some events, are called *contingent* liabilities.

PRELIMINARY WORK

AUGUST 1, 19—

You have entered into partnership this day with Henry W. Taylor and Clark F. Wood, who have been conducting a wholesale dry goods business under the style of Taylor & Wood. The name of the new firm will be Taylor, Wood & Co., and its purpose will be to purchase and develop the business of the firm of Taylor & Wood.

In accordance with the Articles of Copartnership, which were drawn up in triplicate by an attorney, and executed this day by the partners, the partnership is to continue five years, unless sooner dissolved by mutual consent of the partners.

You are to invest \$2500 cash in the business, and Mr. Taylor and Mr. Wood are to invest their respective interests in the business of Taylor & Wood, as they appear on the books of that firm when closed as of July 31, 19—.

The new firm is to take over the assets, and to assume the liabilities of the old firm at their book values.

By "book values" is meant the balances of the accounts as shown by the ledger, no allowances being made for possible failure of debtors to pay in full, nor for depreciation of property.

The partners are to be allowed salaries, monthly, for their services, as follows: Taylor, \$150; Wood, \$125; yourself, \$175.

The books are to be closed annually, as of July 31, during the life of the partnership, and at the termination of the same.

At the time of closing the books, each partner shall be charged with interest at 6% on such sums as he may have withdrawn from the business for his personal use, from the date of such withdrawals to the date of closing, and he shall receive interest at 6% on his investments. No member of the firm shall draw to exceed \$250 per month for his personal use.

The profits and losses of the business are to be shared equally by the partners.

No. 1 — This cash represents your investment, which you will turn over to the business by placing it in the Cash Drawer. The proper record will be made when the books are opened. Place the notes receivable on hand in the Cash Drawer also.

The assets and liabilities of the firm of Taylor & Wood, at the close of business July 31, 19—, and the interests of the partners are shown by their Balance Sheet and supporting schedules, which are given below.

BALANCE SHEET

TAYLOR & WOOD, July 31, 19—

Assets

| | | |
|--|----------|------------|
| Cash in Commercial Bank | \$ 5860. | |
| Notes Receivable per schedule No. 3, | 2102.45 | |
| Interest, accrued on above | 17.24 | |
| Account Receivable per schedule No. 1, | 20442.75 | |
| Inventory, merchandise " " No. 5, | 20000.06 | |
| Shipping Supplies " " No. 9, | 202.07 | |
| Office " " " No. 8, | 109.31 | |
| Insurance, unearned premiums, | 275. | |
| Horses and Wagons per schedule No. 7, | 750. | |
| Furniture and Fixtures " " No. 6, | 2500. | |
| Real Estate, flat 74 Chestnut St., | 12000. | |
| Total assets, | | \$71018.78 |

Liabilities

| | | |
|--------------------------------------|----------|------------|
| Notes Payable per schedule No. 4, | \$10500. | |
| Interest, accrued on above, | 128.25 | |
| Accounts Payable per schedule No. 2, | 10264.00 | |
| Total liabilities, | | \$20892.25 |
| Net assets, | | \$41125.84 |

Capital

| | | |
|------------------------------------|------------|------------|
| H. W. Taylor capital $\frac{1}{3}$ | \$16431.05 | |
| C. F. Wood " " | \$24003.80 | |
| Present worth, | | \$41125.84 |

SCHEDULE 1. ACCOUNTS RECEIVABLE, per Sales Ledger

| | |
|-------------------------------------|----------------|
| Harris & Smith, 139 Main St., City, | \$4577.94 |
| Brown & Wilson, Troy, | 1324.11 |
| Jas. H. Wood & Son, Newton, | 1016.42 |
| L. H. Parker, Lima, | 1203.86 |
| Sibley & Co., Gardner, | 2943.01 |
| W. B. Snow, Akron, | 536.88 |
| Ingham & Case, Alton, | 66.35 |
| B. C. Wiley, Waverly, | 122.44 |
| J. G. Smith, Ottawa, | 914.13 |
| W. O. Harrison, Randolph, | 1682.12 |
| Lewis W. Chase, Jackson, | 3605.42 |
| Charlton, Sons & Co., Dansville, | <u>2360.07</u> |
| | \$20442.75 |

SCHEDULE 2. ACCOUNTS PAYABLE, per Purchase Ledger

| | |
|--|---------------|
| Sibley, Lindsay & Curr Co., New York, | \$10184.23 |
| Burke, FitzSimons, Hone & Co., Boston, | 2837.90 |
| Gimbel Bros., Philadelphia, | 4628.71 |
| Granite Mills, Fall River, Mass., | 904.85 |
| Little Falls Woolen Co., Little Falls, N.Y., | <u>700.00</u> |
| | \$19264.69 |

SCHEDULE 3. NOTES RECEIVABLE

Note of C. F. Jenkins for \$407.32, dated May 18, payable at First National Bank, Marietta, Ohio, drawn at 3 months with interest, at 6%.

Note of Wilson & Randolph for \$654.00, dated June 14, payable at Merchants Bank, Buffalo, N.Y., drawn at two months with interest, at 6%.

Note of Warren & Co. for \$325.00, dated July 23, payable at Traders Bank, Scranton, Pa., drawn at sixty days without interest.

Note of Isaac Holman & Sons for \$715.23, dated June 1, payable at Second National Bank, Newark, N.J., drawn at three months with interest, at 6%.

Interest accrued on the above, \$17.24.

SCHEDULE 4. NOTES PAYABLE

Note in favor of Commercial Bank for \$10000, dated May 20, drawn at four months with interest, at 6%.

Note in favor of Little Falls Woolen Co. for \$500, dated April 24, drawn at four months with interest, at 6%.

Interest accrued on the above, \$128.25.

When a legal change is made in the ownership of a business it marks the end of a current period, and the books must be closed for that period. When such a change does not permanently interrupt the progress of the business, it is customary to continue the use of the old books. Sometimes, however, advantage is taken of such a situation to effect a partial or complete change in the system of records and accounts. In this work, it will be assumed that a new set of books is opened, and an improved system of accounts installed.

Opening the Books.—You will now frame an opening entry in the journal to represent the assets and liabilities of the business, and the investments of the partners. The assets which Mr. Taylor and Mr. Wood have contributed, and their net capital, together with the

PRICE LISTS FOR

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---------------------------|-----------------|------|-----------------|-------------------|-------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
| 1. A. | 12 | 15 | 17 | 24 ¹ | 23 ¹ | 24 | 14 | 23 ¹ | 14 ¹ | 23 |
| 2. Bill. | 1.25 | 1.37 | 1.24 | 1.36 ¹ | 1.23 | 1.35 | 1.22 | 1.34 | 1.21 | 1.33 |
| 3. Blue Flannel | 37 | 24 | 30 ¹ | 25 | 26 | 25 ¹ | 35 ¹ | 26 | 35 | 26 ¹ |
| 4. Broadcloth | 1.13 | 1.11 | 1.14 | 1.12 | 1.15 | 1.13 | 1.16 | 1.14 | 1.17 | 1.15 |
| 5. C. | 12 | 11 | 12 | 12 ¹ | 12 | 11 ¹ | 12 ¹ | 13 ¹ | 13 ¹ | 13 |
| 6. C. | 7 | 7 | 7 | 7 ¹ | 7 ¹ | 7 ¹ | 7 ¹ | 6 ¹ | 7 ¹ | 6 ¹ |
| 7. Cashmere | 57 | 57 | 61 | 56 | 64 | 54 | 69 | 52 | 65 | 55 |
| 8. | 55 | 54 | 56 | 53 | 57 | 52 | 55 | 51 | 58 | 55 |
| 9. | 1.35 | 1.31 | 1.37 | 1.36 ¹ | 1.36 ¹ | 1.36 ¹ | 1.32 | 1.38 | 1.36 | 1.34 |
| 10. | 75 | 75 | 77 | 76 ¹ | 76 ¹ | 76 ¹ | 72 ¹ | 77 | 71 ¹ | 76 ¹ |
| 11. | 1.75 | 1.77 | 1.73 | 1.76 ¹ | 1.71 | 1.81 | 1.67 | 1.83 | 1.67 | 1.85 |
| 12. | 1.15 | 1.16 | 1.14 | 1.17 | 1.13 | 1.18 | 1.15 | 1.19 | 1.12 | 1.20 |
| 13. | 76 | 72 | 76 | 76 ¹ | 76 | 76 ¹ | 76 | 75 ¹ | 73 ¹ | 75 ¹ |
| 14. | 1.15 | 1.15 | 1.16 | 1.12 | 1.14 | 1.16 | 1.12 | 1.12 | 1.14 | 1.16 |
| 15. | 1.2 | 1.17 | 1.22 | 1.16 ¹ | 1.24 | 1.14 | 1.26 | 1.12 | 1.24 | 1.16 |
| 16. | 13 ¹ | 13 | 14 ¹ | 13 ¹ | 14 | 14 ¹ | 13 | 16 ¹ | 13 ¹ | 16 |
| 17. | 75 | 77 | 73 | 76 ¹ | 71 | 81 | 76 ¹ | 83 | 71 | 85 |
| 18. | 45 | 5 | 47 | 52 | 44 | 54 | 42 | 56 | 41 | 58 |
| 19. | 1.15 | 1 | 1 | 1.1 | 1.1 | 1.1 | 1 | 1.1 | 1.1 | 1 |
| 20. | 75 | 73 | 77 | 71 | 76 ¹ | 76 ¹ | 71 | 77 | 73 | 76 ¹ |
| 21. | 27 | 27 | 39 | 29 | 37 | 37 | 37 | 31 | 36 | 32 |
| 22. | 65 | 7 | 75 | 87 | 66 | 71 | 76 | 67 | 72 | 77 |
| 23. | 35 | 25 | 34 | 26 | 33 | 27 | 32 | 28 | 31 | 29 |
| 24. | 1.16 | 1.15 | 1.17 | 1.15 | 1.16 ¹ | 1.12 | 1.16 | 1.18 | 1.13 | 1.18 |
| 25. | 5 | 6 | 51 | 50 | 52 | 55 | 53 | 57 | 54 | 56 |
| 26. | 75 | 74 | 63 | 73 | 64 | 72 | 65 | 71 | 66 | 70 |

NOTE.—Where fractions are not expressed in full in the price lists, fourths are understood. For example: liabilities assumed by the new firm, are shown in the balance sheet of Taylor & Wood and the accompanying schedules, given above. Your investment is the amount of the cash in safe. (See form of opening journal entry, page 217, and note carefully all of the details.) Inventory account is one of the subdivisions of the Merchandise account, and will represent the merchandise inventories in this work.

Supporting Records — You will note that the opening entry in the journal contains only a brief explanation of the several items which represent the assets and liabilities, and that reference is made to other records, as "per check book" and "per schedule." These records are in detail, and support the record made in the journal. Every record in books of accounts should be complete in itself, or should be supported by other records which will make it complete.

Make an entry in the cash book, and on the stub of the check book, for the cash in bank. Enter the cash which you invested, writing for explanation, *investment per J.*, and check the entry, as the credit to your account will be posted from the journal. These entries support the record in the journal.

Enter the notes receivable and notes payable as per schedules, in the bill book.

Construct (open) accounts in the general ledger and post the opening journal entry. Allow one third of a page to each account. Construct the partners' capital accounts on page 1, and leave page 2 for their personal or drawing accounts, to be opened later. For

DRY GOODS BUSINESS

| | 11 | 12 | 13 | 14 | 15 | 16 | 17 | 18 | 19 | 20 | 21 | 22 | 23 | 24 | 25 |
|-----|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| 1. | .15 | .22 ² | .15 ² | .22 | .21 ² | .16 | .16 ² | .21 | .17 | .20 ² | .17 ² | .20 | .18 | .19 ² | .18 ² |
| 2. | 1.20 | 1.32 | 1.19 | 1.31 | 1.18 | 1.30 | 1.17 | 1.29 | 1.16 | 1.28 | 1.15 | 1.27 | 1.14 | 1.26 | 1.13 |
| 3. | .34 ² | .27 | .34 | .27 ² | .28 | .33 ² | .33 | .38 ² | .32 ² | .29 | .32 | .29 ² | .31 ² | .30 | .31 |
| 4. | 4.18 | 4.06 | 4.19 | 4.07 | 4.20 | 4.08 | 4.21 | 4.09 | 4.22 | 4.10 | 4.23 | 4.11 | 4.24 | 4.12 | 4.25 |
| 5. | .13 ³ | .13 ² | .13 ³ | .13 ¹ | .11 ⁷ | .11 ¹ | .11 ³ | .11 ¹ | .11 ¹ | .11 ² | .11 ² | .10 ⁷ | .10 ³ | .10 ³ | .10 ² |
| 6. | .08 ³ | .08 ² | .08 ² | .08 ² | .09 ¹ | .09 ² | .09 ¹ | .09 ³ | .09 ¹ | .09 ² | .09 ² | .10 ¹ | .10 ¹ | .10 ¹ | .10 ² |
| 7. | .70 | .59 | .61 | .57 | .63 | .55 | .65 | .53 | .67 | .51 | .69 | .73 | .72 | .74 | .71 |
| 8. | .39 | .49 | .40 | .48 | .41 | .47 | .42 | .46 | .43 | .45 | .44 | .40 | .38 | .39 | .42 |
| 9. | 1.82 | 1.80 | 1.78 | 1.76 | 1.75 | 1.74 | 1.72 | 1.70 | 1.68 | 1.62 | 1.64 | 1.56 | 1.58 | 1.66 | 1.60 |
| 10. | .10 ³ | .07 ¹ | .11 ¹ | .08 ¹ | .11 ² | .08 ² | .11 ³ | .08 ³ | .09 ³ | .09 ¹ | .09 ² | .10 ¹ | .10 ¹ | .10 ² | .07 ¹ |
| 11. | 1.65 | 1.76 | 1.74 | 1.78 | 1.72 | 1.80 | 1.70 | 1.82 | 1.68 | 1.84 | 1.66 | 1.62 | 1.63 | 1.61 | 1.64 |
| 12. | 1.31 | 1.21 | 1.30 | 1.22 | 1.29 | 1.23 | 1.28 | 1.24 | 1.27 | 1.25 | 1.26 | 1.30 | 1.32 | 1.31 | 1.28 |
| 13. | .05 ² | .05 ² | .05 ³ | .05 ³ | .07 ¹ | .07 ² | .07 ¹ | .07 ³ | .07 ¹ | .07 ² | .07 ² | .08 ¹ | .08 ¹ | .08 ¹ | .08 ² |
| 14. | 1.18 | 1.20 | 1.22 | 1.24 | 1.25 | 1.26 | 1.28 | 1.30 | 1.32 | 1.38 | 1.36 | 1.44 | 1.42 | 1.34 | 1.40 |
| 15. | 1.22 | 1.08 | 1.24 | 1.06 | 1.26 | 1.04 | 1.28 | 1.02 | 1.30 | 1.21 | 1.29 | 1.23 | 1.27 | 1.25 | 1.05 |
| 16. | .13 ¹ | .16 ¹ | .12 ³ | .15 ³ | .12 ² | .15 ² | .12 ¹ | .15 ¹ | .14 ¹ | .14 ³ | .14 ² | .13 ² | .13 ¹ | .13 ² | .16 ¹ |
| 17. | .73 | .87 | .71 | .89 | .69 | .91 | .67 | .93 | .65 | .74 | .66 | .72 | .68 | .70 | .90 |
| 18. | .47 | .57 | .45 | .55 | .43 | .53 | .41 | .51 | .60 | .39 | .38 | .37 | .63 | .61 | .62 |
| 19. | .09 ¹ | .09 ² | .09 ¹ | .09 ² | .08 ² | .08 ¹ | .08 ³ | .08 ¹ | .08 ² | .08 ¹ | .08 ² | .07 ² | .07 ³ | .07 ² | .07 ² |
| 20. | .76 | .66 | .78 | .68 | .80 | .70 | .82 | .72 | .63 | .84 | .85 | .86 | .60 | .62 | .61 |
| 21. | .35 | .33 | .34 | .26 | .41 | .25 | .42 | .24 | .43 | .30 | .34 | .29 | .43 | .37 | .28 |
| 22. | .68 | .73 | .78 | .69 | .74 | .79 | .81 | .87 | .82 | .86 | .83 | .85 | .84 | .72 | .69 |
| 23. | .30 | .36 | .50 | .37 | .49 | .38 | .48 | .39 | .47 | .40 | .46 | .41 | .45 | .42 | .44 |
| 24. | 1.07 | 1.02 | .97 | 1.06 | 1.01 | .96 | .94 | .88 | .93 | .89 | .92 | .90 | .91 | 1.03 | 1.06 |
| 25. | .55 | .49 | .35 | .48 | .36 | .47 | .37 | .46 | .38 | .45 | .39 | .44 | .40 | .43 | .41 |
| 26. | .67 | .69 | .68 | .76 | .61 | .77 | .60 | .78 | .59 | .63 | .68 | .73 | .59 | .65 | .74 |

12² means 12½; .07² means .07½; .10¹ means .10½.

explanation write, *Inventory*, for accounts with furniture and fixtures, horses and wagons, interest, real estate, insurance, and shipping supplies. For all others, excepting Inventory account, write *balance*. No explanation is necessary for the Inventory account.

Arrange an index for the three ledgers on the index pages of blank No. 2, and index your general ledger accounts.

Construct accounts in the sales ledger as per schedule of accounts receivable, and enter the balances. Allow one-fourth of a page to each account. Index the accounts.

Construct accounts in the purchase ledger as per schedule of accounts payable, and enter the balances, allowing one-third of a page to each account. Index the accounts.

You have now completed the opening of the books, and the general ledger shows the assets and liabilities of the business and the capital or investment of the partners. The purchase and sales ledgers show the accounts with creditors and debtors in detail, and support the controlling accounts in the general ledger.

Test the accuracy of your work by taking a trial balance of the general ledger, and a proof of each of the other ledgers. Carry the amount of cash from the cash book to your trial balance. Compare the footing of the balances of the purchase ledger with the balance of Accts. Payable account, and the footing of the balances of the sales ledger with the balance of the Accts. Receivable account, to see if they agree.

The books are now in proper form to receive the records of the current business.

TRANSACTIONS

AUGUST 1

No. 2. Invoice of W. O. Harrison, Randolph, being overdue, draw a sight draft on him for the amount, \$750. On the back of the draft make indorsement as follows:

Pay to the Commercial Bank, or order,

Taylor, Wood & Co.,

Per (Your name).

(Sign the firm name to all vouchers, per your own name.)

Place the draft in Vouchers for Others, or leave it at the bank for collection.

No. 3. — Give a check for the amount of this bill, from Tower Mfg. and Stationery Co. (*Office Supplies*, General column of the cash book. Place the bill in your Voucher File.)

When you post this entry, you will construct an Office Supplies account. This account represents a sub-division of the Expense account.

No. 4. — Make a bill for this order from B. C. Wiley, and enter in sales book. Note the terms. Your teacher will assign you a price list from the lists on pages 228, 229.

Indicate on the bills how the goods were shipped, using the names of the railroad transportation companies, and express companies which operate through your city or town; as, *Wabash R.R., Merchants Despatch, American Exp.*, etc.

The orders in this work provide excellent practice for students who are proficient with the typewriter, and the bills may be made on the machine instead of with the pen, at the option of the teacher.

Terms, 6% 10 days, 5% 30 days. 5 pcs. Monument cotton, 62, 59, 58, 64, 63½ yds. 2 pcs. Creton plaid, 41, 38 yds. 3 pcs. French crepon, 36, 40, 37 yds. 5 pcs. wash silk, 48½, 49, 51, 52, 51½ yds. 2 pcs. Duchess satin, 48, 51 yds. 10 doz. lace.

In the dry goods business there are two kinds of terms for different classes of goods — regular and net; and no bills are to run more than sixty days, unless they are "X" bills or carry post datings. An "X" bill is a bill on which an extension of time is allowed, usually sixty days beyond the time allowed by the usual terms. A post-dated bill is a bill which is dated ahead, after the delivery of the goods. Goods (subject to post-dating) delivered after December 1, carry April 1 dating, 2% 10 days net.

Regular terms are 5% 30 days (expressed 5/30) and 6% 10 days. Net terms are 2% 10 days and 1% 30 days.

If a regular bill is paid in thirty days, 5% discount will be allowed from the amount of the bill; and, if paid in ten days, 6% will be allowed. If a net bill is paid in ten days, 2% will be allowed, and if paid in thirty days, 1%. Extra and post-dated bills are subject to but one discount, namely, 2/10.

In this work, the terms will be given for each sale.

Before an order is sent to the shipping department to be filled it is passed or approved by the credit department, and the approval is indicated on the order, usually by means of a rubber stamp containing the date, the word *Approved*, and the initials of the credit man or of his assistant who approved the order.

Only the actual goods shipped are billed, and the bills are made out from the shipping records or order sheets, which show the quantities shipped, the routing of the goods, etc. When an order is not filled complete, owing to lack of stock, the unshipped items are indicated on the shipping record or order sheet. These unfilled parts of orders are known as "back orders" or "B.O's." The unshipped items are indicated by the letter *T* (transfer) placed before each item. Back orders are handled the same as regular orders when the goods required to fill them are in stock.

It will be assumed that all out-of-town orders are shipped by freight under straight bills of lading made out by the shipping clerk, unless otherwise stated, and that all freight, both inward and outward, is hauled in our own wagons.

Freight companies, unlike express companies, do not call for or deliver goods. Therefore, all freight packages must be hauled to and from the freight houses of the freight transportation companies.

AUGUST 3

No. 5. — Your traveling man, H. R. Judson, draws \$ 200 cash for expenses. (*Traveling Expenses* in the General column.)

The Traveling Expenses account represents a selling expense.

In this work both the salary of the traveling salesman and his expenses are charged to Traveling Expenses, the object being to show in one account the cost of securing orders by means of traveling salesmen or agents. Another method of treating these two items would be to keep separate accounts with Agents' Salaries and Agents' Expenses.

AUGUST 4

No. 6. — Give check to C. H. Garfield, Agt., \$ 300, for rent for August. (*Rent* in General column.)

Rent is a general expense item, as it forms no part of the expenses of selling the goods or of administering the business. When a Rent account is maintained and the expenses are classified it is placed under General Expenses in the Profit and Loss Statement at the close of each business period.

No. 7. — Sold to Geo. M. Walker, City, for check, 1 piece Oxford gray homespun, 50 yd. 3 pcs. storm serge, 43, 45, 46 yds. 1 piece Duchess satin, 50 yds. 3 pcs. surah silk, 49 $\frac{1}{2}$, 41 $\frac{1}{2}$, 43 yds.

Make entry in the cash book, crediting *Sales* in special column. Enter sale in sales book, and extend total into Cash column; check the entries as in previous work.

No. 8. — Check from L. H. Parker in full of invoice of July 18, \$826.30, less 2% discount.

Enter on the debit side of the cash book as follows: \$826.30 in Accounts Receivable column, amount of discount in Discount Allowed column, and amount of check in Amount Received column.

No. 9. — Deposit cash \$ 2000, and checks of L. H. Parker and Geo. M. Walker. Collection, $\frac{1}{10}$ % of Parker's check. (*Collection and Exchange* in special column of the cash book.) Deduct the collection from the amount on the deposit slip. Make proper explanation of the cash book entry to support the record in the check book.

You will keep your bank account on the stub of your check book, the same as you did in the Commission Business.

Daily Posting. — The accounts in the sales ledger should be kept posted to date, in order to have them show their true current condition. This is important both to the credit department in approving orders, and to the collection department in handling collections. This requires the daily posting of the sales book and of the Accounts Receivable items in the cash book and journal. The items in the invoice book and the Accounts Payable items in the cash book and journal should also be posted daily, if possible, so that the accounts in the purchase ledger will show their true current condition. The items in the general columns of the cash book and journal may be posted daily, or whenever convenient, but they should all be posted in time to permit of the prompt posting of the monthly footings of the principal books, and of the prompt taking of the monthly trial balance. The cash book should be proved daily.

You will keep your books posted and your cash proved to date, in accordance with the above suggestions. In posting the accounts in the purchase and sales ledgers, enter the terms of each purchase or sale in the explanation column. Review carefully the instructions for posting the items from the various books, under Books to Keep, pages 216 to 221. In

constructing new accounts allow the same spaces in the ledgers as for similar accounts already constructed. After completing your daily posting, check the posting.

AUGUST 6

No. 10 — Make a check in favor of Little Falls Woolen Co. for invoice of July 15, \$400, less discount 5%.

Enter on the proper side of the cash book as follows: \$400 in Accounts Receivable column, amount of discount in Discount Allowed column, and amount of the check in Amount Paid column.

No. 11. — Note from W. B. Snow, in payment of balance due Aug. 1.

(*W. B. Snow*, amount in Accounts Receivable column of the journal.) Make entry in the bill book, and write *Int.* over the number of days in the Time column.

No. 12. Discount Snow's note at the Commercial Bank, and receive credit for the proceeds.

Find the interest on \$536.88 for the full time, and add it to the face of the note; then find the discount to maturity on that amount. Enter in the General column on both sides of the cash book, — *Notes Receivable* and *Interest; Discount*. Indorse the note in full to the Commercial Bank, leave it at the bank, and have the net proceeds credited in your bank pass book. Add the proceeds to your bank balance on the left stub of the check book. If there is no bank, make the entry yourself in your bank pass book, and place the note in Vouchers for Others.

Remember to make proper explanation of these entries to support the record in the check book.

No. 13. — This is what is known as a shipper's order (freight C. O. D.) Bill the goods to Ingham & Case in the usual way. Note the terms: 4 pcs. Talbot flannel, 44, 40, 45, 47 yds. 2 pcs. storm serge, 48, 42 yds. 4 pcs. corduroy, 40½, 40, 47½, 30 yds. 2 pcs. surah silk, 43½, 46½ yds.

No. 13 a. Make a sight draft in favor of the Union National Bank for the amount of your bill, pin it to the order bill of lading, and send it to the Union National Bank. (Place in Vouchers for Others.)

For various reasons it is often desirable to make the collection of the purchase price before the goods are delivered to the customer. Such shipments by express are sent C. O. D., and by freight, subject to shipper's order. It is customary to collect in this manner when the credit of the customer is limited, or has not been fully investigated.

Returns on freight C. O. D.'s, or shippers' orders, are usually made by bank draft which is issued and remitted by the bank to whose order the goods were consigned.

When a shipment is made by express C. O. D., the returns are received in currency or by express money order, or express check. If the shipment is handled by more than one express company, the returns are made in currency, which is placed in the original C. O. D. envelope and delivered to the shipper by the express company which first received the goods. On straight C. O. D.'s, that is shipments which are handled by only one express company, the returns are made by express money orders, or special express C. O. D. checks, and these are sent through the mail in the original C. O. D. envelopes direct to the shippers. These money orders and checks can be cashed at the offices of the express companies, which issue them, or they may be deposited in the bank. Except by special agreement between shipper and consignee, which must be noted on the C. O. D. envelope accompanying the shipment, express companies will not accept payment for C. O. D. shipments in any form other than currency.

Goods shipped by express may be put up in paper packages, or inclosed in boxes, at the option of the shipper; but if shipped by freight, they must be boxed, baled, or crated, unless in car load lots, or the nature of the goods is such that they can be handled and transported without being damaged.

No. 14. — Invoice, Burke, FitzSimons, Hone & Co. Check the items, O. K. the bill, and paste it in the invoice book. Note the terms.

Invoices should be attached to the leaves of the invoice book in such a way that any of them can be quickly found, readily referred to, and easily removed. They may be attached in the order in which they are passed by the bookkeeper; by serial number or department letter; or arranged in sections according to departments or to the names of the creditors. The latter method is not desirable when the invoice book is used as an original book of entry or posting book, unless the posting is done before the invoices are pasted into the invoice book.

The first invoice in the book should be gummed on the upper edge, and the others on the lower edge.

No. 15. — Check from Jas. H. Wood & Son in payment of invoice of July 28, \$550, less 2% discount. (Enter as in No. 8.)

No. 16. — Mr. Taylor draws \$200 cash for his private use. (*H. W. Taylor, Personal*, amount in General column.) Construct an account, *H. W. Taylor, Personal*, when you post this entry.

No. 17. — Pay freight bill \$4.36, in cash. (*Freight Inward* in General column.)

Transportation companies usually require that freight charges be paid before the goods can be removed from the freight house, but frequently arrangements are made whereby this requirement is waived, and the freight charges are paid after the removal of the goods.

In the absence of an agreement, the transportation charges are paid by the purchaser.

Payments for freight and cartage on goods bought are properly chargeable to Purchases, as these items increase the cost of the goods. Since, however, we want to know both the first cost of the goods and the freight paid on them, we charge Purchases for the invoice price from the invoice book, and construct (open) a Freight Inward account, and charge all payments made on inbound freight to that account from the cash book. The amount or balance of Freight Inward account will be added to Purchases at the end of the business period.

Some bookkeepers add the freight to the invoice, and include the amount in the monthly posting to Purchases from the Invoice book.

AUGUST 8

No. 18. — Check from J. G. Smith in full of account to Aug. 1.

No. 19. — Deposit the checks on hand. Bank charges \$2 for collection.

No. 20. — Pay Sibley, Lindsay & Curr Co. for invoice of July 28, \$3200. Deduct 5% discount, and write a check for the net amount.

AUGUST 10

No. 21. — Cash sales. Perkins & Brown, 50 doz. Torchon lace. 40 gross smoked pearl buttons.

Carroll & Marsh, 1 piece whipcord, 50 yds. 1 piece plain French poplin, 40 yds.

Strong & Carlisle (check), 3 pieces black Venetian cloth, 36, 38, 40 yds. 2 pcs. broadcloth, 55, 59 yds. (See No. 7.)

Remember to prove the cash daily, and to keep your books posted to date.

AUGUST 11

No. 22. — Check from B. C. Wiley for invoice of July 15, \$122.44, less 1% discount.

No. 23. — Two pieces, 43 and 38 yds., of the French crepon received from Burke, FitzSimons, Hone & Co. on the 6th inst. are found to be damaged. Return the two pieces to them, billing at cost price. Write a letter and inclose the bill.

Enter in the journal, debiting *Burke, FitzSimons, Hone & Co.* in Accounts Payable column, and crediting *Returned Purchases* in the General column. For explanation write *Returned Purchases*, page 116.

In this work merchandise returned by us will be credited to the Returned Purchases account, and goods returned to us charged to Returned Sales.

Separate books, called Return Books, are generally kept for detailed records of goods returned, and the entries in these books are transferred to the journal in the form given above. The accounts Returned Purchases and Returned Sales are subsidiary to the Purchases and Sales accounts, and are offsets to those accounts.

Forwarding. When a page of the journal, sales book, invoice book, or cash book is about full, rule a red line across the dollar and cent columns on both sides and foot all the columns. Place the footings on the first blue line below the red line, with the word "Ford," in the explanatory space, also in red ink. Transfer the footings in black ink to the first blue line at the top of the following page, writing "Brot. Ford." on the same line in the explanatory space, in black ink.

AUGUST 12

No. 24. — Note received from Brown & Wilson on account. (Notes Receivable and Accounts Receivable columns in journal.)

No. 25. Pay, by check, invoice of Gimbel Bros., July 15, \$1250, less 1%.

No. 26. Cash sales. National Emporium, 5 pes. wash silk, 47½, 40½, 53, 54, 46½ yds. 2 pes. cashmere, 41, 39 yds.

Sherman & Co., 2 pes. French crepon, 43, 37 yds. 6 pes. 248 velveteen, 40, 45, 36, 38, 45, 46 yds.

AUGUST 13

No. 27. — Ten shares of Wamsutta Mills stock is offered at private sale at \$105 per share, to close an estate, and the firm has decided to purchase the stock as an investment. Give J. L. White, Trustee, a check for the amount of the stock, and place the stock certificate in Voucher File. (*Wamsutta Mills Stock*, General column of cash book.)

When stocks and bonds are purchased for investment by a mercantile or manufacturing concern, an account may be constructed to represent each class or kind of security: as *Stocks*, *Bonds*, *American Locomotive Preferred*, *U.S. Steel Common*, *Baltimore & Ohio Gold* 48, or a *Securities* account may be constructed to represent all such investments.

No. 28. — Check received from Sibley & Co. in payment of invoice of July 20, \$1540, less 1% discount.

No. 29. The bank has collected your draft of the 1st inst. on W. O. Harrison, \$750. Collection charges, 75¢. Proceeds placed to your credit.

Credit *W. O. Harrison* in the cash book for the full amount of the draft, and debit *Collection and Exchange*. Add the proceeds to your bank balance. Make proper explanation of the entries.

AUGUST 14

No. 30. — Check from Wilson & Randolph for note and interest due to-day. Consult your bill book and mark the note paid.

No. 31. — Salesman's orders. Note the terms.

Thompson & Bulkeley, Easton, 6 pes. Fruit of Loom sheeting, 58, 60, 55, 64, 66, 58 yds. 8 pes. Monument cotton, 54, 58, 68, 62, 55, 65, 63, 60 yds. 50 doz. Coates thread. 5 pes. wash silk, 48½, 50½, 52, 48½, 55 yds.

James H. Wood & Son, Newton, 6 pes. pique muslin, 68½, 66, 74, 75, 71, 70½ yds. 4 pes. broadcloth, 57, 65, 69, 51 yds. 2 pes. Creton plaid, 40, 42 yds. 25 doz. torchon lace.

Brown & Wilson, Troy, 5 pes. sateen, 48½, 47½, 50, 46½, 50 yds. 5 pes. Crown lining, 52, 58, 53, 55, 57 yds. 25 doz. Coates thread.

C. H. Roberts, Westboro, 3 pes. kersey, 54 in., 45, 48, 43 yds. 20 gross smoked pearl buttons.

No. 32. — Invoice of merchandise purchased of the Little Falls Woolen Co.

No. 33. — Mr. Wood withdraws \$225 cash for private use. (See No. 16.)

No. 34. — Pay Sibley, Lindsay & Curr Co., by check, for invoice of July 14, \$904.85, less 1 % discount.

No. 35. — Deposit cash, \$200, and all checks. Collection, \$1.75.

AUGUST 15

No. 36. — Pay cash for office supplies, stamps, etc., \$18.60. Shipping clerks and porters, \$70. Office help, \$100. (Charge payment for office supplies, etc., to *Office Supplies*; for office help to *Office Salaries*; and for shipping clerks and porters to *Shipping Dept. Salaries*.)

Shipping Dept. Salaries account represents a selling expense, and Office Salaries account an administrative expense.

No. 37. — Invoice of merchandise from Sibley, Lindsay & Curr Co.

No. 38. — Check from Carlton, Sons & Co. for the net amount of invoice of July 16.

No. 39. — Make your check in favor of Little Falls Woolen Co., for invoice of July 29, \$300, less 2 % discount.

AUGUST 17

No. 40. — This remittance is for proceeds of the draft of the 6th inst. on Ingham & Case, sent to the Union National Bank for collection. Charges for collection, 50¢.

Sometimes the collection charges "follow" the draft, and are then paid by the drawee. In such cases the draft is drawn as usual, and the words "and exchange" are written on it.

No. 41. — Cash sales. Geo. M. Walker, City, 50 gross smoked pearl buttons. 1 piece Duchess satin, 48 yds.

H. W. Johnson & Son, City, 1 piece plain French poplin, 50 yds. 1 piece Oxford gray homespun, 48 yds.

No. 42. — Pay freight to date on goods received per agent's request, by check, \$13.04. (See No. 17.)

AUGUST 18

No. 43. — Check from C. F. Jenkins for note and interest due to-day.

No. 44. — Invoice of merchandise purchased from Granite Mills.

No. 45. — Check from Harris & Smith on account. (No discount.)

No. 46. — Deposit all checks and drafts. Collection, \$2.

No. 47. — Draw \$100 in cash for your own private use.

No. 48. — Remit Burke, FitzSimons, Hone & Co. check in payment of invoice of July 22, \$2837.90, less 1 % discount.

AUGUST 19

No. 49. — Pay freight bill in cash, \$1.19.

No. 50. — W. O. Harrison is unable to settle his account at present, and it has been decided to take his note, with interest, for the balance due from him, \$932.12.

No. 51. — Pay cash for 1 ton hay and 5 bu. oats for stable, \$13.50. (*Delivery Expenses*.)

When you post this item you will construct a Delivery Expenses account. This account represents a selling expense.

AUGUST 20

No. 52. — Memorandum order from J. G. Smith. 8 pes. denim, 38½, 39, 41½, 46, 35, 37½, 35, 42 yds. 7 pes. sateen, 48, 45, 46½, 50, 40½, 51½, 40 yds. 5 pes. sheeting, 60, 62, 65, 55, 50 yds. 8 pes. Crown lining, 52, 55, 54, 50, 60, 51, 58, 50 yds. 4 pes. Duchess satin, 48½, 40½, 52, 50 yds. 4 pes. blue flannel, 50, 48, 40, 54 yds. 10 gross buttons.

No. 53. — Salesman's order from L. W. Chase. 5 pes. denim, 38½, 41, 42, 37½, 43 yds. 4 pes. blue flannel, 51, 47, 55½, 46½ yds. 3 pes. cashmere, 39, 41, 42 yds. 8 pes. Fruit of Loom sheeting, 58, 60, 60, 61, 57, 63, 65, 55 yds. 7 pes. pique muslin, 68, 72, 75, 70, 65, 68, 70 yds.

No. 54. — Give Sibley, Lindsay & Curr Co. your note at 20 days (no interest), \$2500.

No. 55. — Pay Granite Mills, by check, for invoice of July 21st, \$604.85, less 5%.

No. 56. — Purchase of merchandise from Gimbel Bros.

AUGUST 21

No. 57. — One piece of kersey, 46½ yds., received on the 20th inst. from Gimbel Bros., is damaged. Return it, and render your bill for the same at cost price. (Enter as in No. 23.)

No. 58. — Check from Warren & Co., to prepay their note of \$325, less discount to maturity. Mark the note prepaid in the bill book.

Make proper explanation of the entries to show that they are supported by the voucher.

No. 59. — Salesman's orders. Brown & Wilson, Troy, 2 pes. Talbot flannel, 45, 42½ yds. 2 pes. whipcord, 40½, 43½ yds. 5 pes. Monument cotton, 58, 63, 65, 60, 62 yds. 6 pes. denim, 38, 43, 37, 44, 40, 36 yds.

Sibley & Co., Gardner, 2% 10 days, 1% 30 days, 6 pes. Fruit of Loom sheeting, 60, 63, 55, 58, 65, 61 yds. 2 pes. corduroy, 40, 34½ yds. 2 pes. black Venetian cloth, 38, 33½ yds. 50 doz. Coates thread.

B. C. Wiley, Waverly, 6% 10 days, 5% 30 days, 3 pes. Oxford gray homespun, 48, 50, 51½ yds. 4 pes. cashmere, 36, 38½, 42, 43½ yds. 7 pes. Crown lining, 50, 54, 58, 52, 55, 51, 57 yds. 6 pes. sateen, 45, 50, 40, 53, 48, 40 yds. 50 doz. lace.

AUGUST 22

No. 60. — Check from Jas. H. Wood & Son for invoice of July 21, \$466.42, less 5%.

No. 61. — Pay freight bill in cash, \$4.58.

AUGUST 24

No. 62. — Note from Lewis W. Chase on account.

No. 63. — Draw a sight draft on Brown & Wilson for invoice of July 15, \$504.11, and leave it at the bank for collection.

No. 64. — Make a check in favor of Little Falls Woolen Co., in full for your note and interest due to-day. Write them a letter and inclose the check.

No. 65. — Remit Gimbel Bros. check for invoice of July 20, \$1203.80, less 5% discount.

AUGUST 25

No. 66. — Salesman's orders. Carlton, Sons & Co., Dansville, 2% 10 days, 1% 30 days, 2 pes. broadcloth, 60, 58 yds. 4 pes. Creton plaid, 37, 30½, 41, 38 yds. 5 pes. sateen, 47, 51, 48, 40, 46 yds. 3 pes. black Venetian cloth, 48½, 35½, 34 yds. 100 gross buttons.

L. H. Parker, Lima, 30 days net, 2 pes. whipcord, 40, 42 yds. 6 pes. Fruit of Loom sheeting, 56, 64, 58, 62, 59, 62 yds. 5 pes. Monument cotton, 58, 50, 57, 62, 60 yds. 8 pes. pique muslin, 70, 72, 65, 75, 60, 73, 66, 68 yds. 1 piece broadcloth, 60 yds.

W. B. Snow, Akron, 2 % 10 days, 1 % 30 days, 6 pes. wash silk, 47½, 48, 46½, 49, 53½, 55 yds. 3 pes. surah silk, 47½, 49½, 52 yds. 3 pes. corduroy, 36, 38, 37 yds. 6 pes. Crown lining, 52, 56½, 55½, 57, 50, 54 yds.

Levy & Garson, Somersworth, 6 % 10 days, 5 % 30 days, 90 gross buttons. 40 doz. thread. 2 pes. plain French poplin, 48, 42 yds. 1 piece kersey, 40 yds.

No. 67. — Invoice of merchandise purchased of Sibley, Lindsay & Curr Co.

August 26

No. 68. — Discount Chase's note received on the 24th inst., and have proceeds credited.

No. 69. — Remit Gimbel Bros. your note at 30 days for \$2000, to apply on account. (No interest.)

No. 70. — Purchase of merchandise from Little Falls Woolen Co.

August 28

No. 71. — Receive credit at the bank for draft on Brown & Wilson, \$504.11, left for collection Aug. 24th. Collection charges, 50 ¢.

No. 72. — Fill the following telephone order received from Harris & Smith, City. Terms, 2 % 10 days, 1 % 30 days. 4 pes. Talbot flannel, 44, 45½, 45, 43 yds. 3 pes. velveteen, 36, 32, 38½ yds. 2 pes. unbleached cotton, 60, 62 yds. 3 pes. Fruit of Loom sheeting, 61, 60, 60½ yds. 25 gross smoked pearl buttons.

August 30

No. 73. — Carlton, Sons & Co., Dansville, return, for credit, the goods as per their bill. (*Returned Sales.* See No. 23.)

When returned goods have been duly accepted, it is customary to send what is called a "credit memorandum." Send Carlton, Sons & Co. a credit memorandum for these goods.

FORM OF CREDIT MEMORANDUM

New York, Aug. 19, 19—.

Memorandum of Amount placed to the

CREDIT

Of Taylor, Wood & and Co.

By The H. B. CLAFLIN CO.

| | | | |
|---|-----------------------------|-----|-------|
| 2 | pes. Blk. Cashmere, 90 yds. | .75 | 67 50 |
|---|-----------------------------|-----|-------|

No. 74. — Check from Sibley & Company on account.

No. 75. — Cash sale. W. E. Dennis & Co., City (check), 1 piece storm serge, 48 yds. 4 pes. velveteen, 38, 36, 37, 39 yds. 2 pes. French crepon, 40, 38 yds. 2 pes. cashmere, 41, 37 yds. 1 piece surah silk, 48 yds. 3 pes. wash silk, 49, 56, 45 yds.

No. 76. — Deposit all checks. — Collection \$150. — Draw currency for office use, by check. (Make the check payable to *Cash*.)

AUGUST 31

No. 77. — Pay freight bill in cash, \$3.40

No. 78. — Pay cash for horseshoeing and repairs on wagon, \$5.43. (*Delivery Expenses*.)

No. 79. — Pay H. R. Judson by check for August salary, \$150 (see No. 5), and B. F. Nolan by check for rent of stable for August, \$50. (*Delivery Expenses*.)

No. 80. — Pay office help, \$100, shipping clerks and porters, \$70, and teamster, \$44.50 in cash.

The wages of the teamster are a delivery expense.

No. 81 — (Student) draws \$100 by check for private use.

A month's salary is now due each partner, as per partnership agreement. — Frame proper journal entry. (*Office Salaries*.)

Salaries of the partners are an administrative expense, and do not affect their capital accounts.

You will now complete the daily posting to the three ledgers, including all the General column items in the cash book and journal. Preparatory to posting the monthly footings, prove the cash, and rule up and close the books of original entry, as explained and illustrated on pages 216 to 222. Be sure that your footings are correct and that the total of the two sides of the journal are alike.

In constructing new accounts give each account in the sales ledger one-fourth of a page, and in the purchase ledger and general ledger, one-third of a page.

Since all the entries in the sales book and invoice book, and all the General column entries in the journal and cash book, have been posted in the daily posting, there remain to be posted only the footings of the invoice book and sales book, and the footings of the special columns in the journal and cash book. These are all general ledger items.

Invoice Book. — The closing entry in the invoice book is Purchases, (Dr.), \$ —, Accounts Payable, (Cr.). Post these items.

Sales Book. — The closing entry in the sales book is Accounts Receivable (Dr.), \$ —, Sales, (Cr.). Post these items.

Journal. — The closing entry in the journal contains the debit items, Accounts Payable, \$ —, and Notes Receivable, \$ —; and the credit items, Accounts Receivable, \$ —, and Notes Payable, \$ —. Post these items.

Cash Book. — The closing entry in the cash book, on the debit side, contains the credit items, Accounts Receivable, \$ —, Discount on Purchases, \$ —, and Sales, \$ —; and on the credit side, the debit items, Accounts Payable, \$ —, Discount on Sales, \$ —, Collection and Exchange, \$ —, and Purchases, \$ —. Post these items.

Having completed the monthly posting, check the posting, after which pencil foot the accounts in the general ledger preparatory to taking a trial balance.

Trial Balance. — Take a trial balance of balances of the general ledger and include in it the cash balance as shown by your cash book. Pencil foot the accounts in the purchase ledger and sales ledger, extend the balances into the Balance column, and make a schedule of balances of each of these ledgers on loose journal paper. After making the schedules, prove them by comparing the footings with the balances of the controlling accounts, Accounts Payable and Accounts Receivable, in the general ledger.

Monthly trial balances are generally taken for the purpose of testing the accuracy of the posting, but they may also serve for other purposes. The trial balance, which is taken at the end of a business period called the ante-closing trial balance, and the schedule of the inventories of assets and liabilities, taken at the same time, contain the data from which the statements of the condition and results of the business are made.

No. 81a. — Assuming that the checks issued on Aug. 31 are outstanding, make a bank voucher slip, similar to that received in the Commission Business, and after entering the total in the pass book, balance and rule up that book, and reconcile your bank balance.

Dissolution of Partnership. — Mr. Taylor, having decided to retire from business, has arranged with his nephew, Mr. Frank H. Taylor, an experienced dry goods man, to take over his interest on September 1, and Mr. Wood and yourself have agreed to the arrangement.

Closing the Books. — In business the books are closed at the end of a fiscal period, usually annually, and also in an individual or partnership business, when a legal change takes place in the business.

Inventories. — Inventories are taken for the purpose of ascertaining the quantities or values, or both, of property on hand, or of assets or liabilities, which are not shown by the books.

Merchandise inventories are usually taken quarterly, semiannually, or annually at the end of a business period. A quarterly or a semiannual inventory of merchandise is usually taken for stock purposes, and quantities only are considered. This is necessary when no stock books are kept; and when they are kept, the quantities shown by the physical inventories are compared with the quantities shown by the stock books.

The value of merchandise on hand is usually determined by adding to the invoice cost of this merchandise, the cost of acquisition — *i.e.* freight and cartage.

When any of the goods on hand have become damaged, or unsalable, for any reason, proper allowance should be made for this condition in the inventory, in order that it will represent its true asset value for the period. In making all property inventories it is better to be conservative in the matter of values rather than to overestimate or inflate them, thereby causing the records to show fictitious profits.

In order to determine the true profit of any business period, only the expenses which belong to the period should be charged, and only the profits which belong to the period should be credited. The expense accounts in the trial balance may show more or less charged or credited than rightfully belongs to the period and, therefore, adjustments must be made in these accounts before the true profits can be ascertained.

For this reason, inventories are taken of property on hand at the end of the period, which has been charged as expenses, such as shipping supplies, office supplies, etc., and accrued assets and liabilities are determined, such as interest on notes receivable and notes payable, unpaid insurance, rent due and unpaid, etc., and the amounts are carried to their respective accounts. Depreciation of property is treated in the same way when no Reserve for Depreciation of property account is maintained.

Keeping up Stock. — It is important in every mercantile business to have on hand, at all times, an adequate stock of goods, with which to fill all orders promptly, and in order to be able to do this, it is necessary that some reliable system of reporting stock on hand to the buying department be maintained.

The nature of the business and the ease or difficulty with which stock can be replenished will, in a measure, determine what system of stock reporting will be required for that business. Some concerns can safely rely upon the quarterly inventories for the necessary infor-

mation concerning the condition, as regards quantities of the stock, while others are obliged to have monthly, weekly, or daily stock reports.

Where stock books are kept, reports can be easily made from the books; where such records are not kept, it is necessary that the stock clerks, or warehouse clerks, make frequent reports of the stock in their departments. This is usually done on stock report sheets or slips, which may contain merely the names of the goods and the quantities on hand; or they may contain a statement of the minimum and maximum quantities required by the manager, which are based on past sales or special demands, and the quantities received since last report, and any other information that may be desired.

Stock reporting, also, serves to guard against "overstocking."

In anticipation of the change in the firm, inventories have been taken of all of the assets and liabilities of the business not shown on the books, which are as follows:

INVENTORIES, AUGUST 31, 19—

| <i>Assets</i> | | |
|--|-------------|-------------|
| Merchandise, per schedule No. 5, | | \$ 23525.05 |
| Furniture and Fixtures, cost, | \$ 2500. | |
| Depreciation, 1%, | <u>25.</u> | 2475. |
| Horses and Wagons, cost, | 750. | |
| Depreciation, 1%, | <u>7.50</u> | 742.50 |
| Shipping supplies, per schedule No. 9, | | 196.50 |
| Office supplies, " " " 8, | | 182.75 |
| Insurance, cost, | 275. | |
| Earned, | <u>7.50</u> | 267.50 |
| Interest accrued on notes receivable, | | 12.75 |
| Real Estate, cost, | 12000. | |
| Appreciation, | <u>250.</u> | 12250. |
| Rent due on flat, | | 100. |
| Wamsetta Mills stock, | 1050. | |
| Appreciation, | <u>100.</u> | 1150. |

Liabilities

| | |
|------------------------------------|--------|
| Interest accrued on notes payable, | 166.67 |
|------------------------------------|--------|

You will now prepare statements of the business in accordance with the instructions which follow.

Trading and Profit and Loss Statement.—In the preceding work, these statements were called statements of losses and gains, and statements of resources and liabilities. In this work, the former will be called the Trading and Profit and Loss Statement (see form on pages 242 and 243), and the latter, the Balance Sheet (see form on pages 244 and 245).

The first section of the Trading and Profit and Loss Statement will be referred to as the Trading account, and the other sections as the Profit and Loss account. The Trading account shows the gross profit on trading. This account shows, on the debit side, the items, Inventory at beginning of present period, purchases for the present period, freight paid, goods returned from purchases, and inventory at close of present period. The credit side shows the goods sold during the period, and the goods returned from sales.

Adding to the amount of the inventory at the beginning of the present period, the pur-

chases and the cost of acquisition (freight), and from this amount deducting the amount of the returns and the inventory at the close of the present period, gives the cost of the goods sold during the present period, or the "turnover." The difference between the proceeds of the sales and the cost of the goods sold represents the gross trading profit, which should be written in red ink. The balance of the trading account, or gross profit on trading is brought down in the first section of the Profit and Loss account in black ink.

Prepare a Trading account from your trial balance and merchandise inventory, after which rule it off as shown in the form.

There is considerable difference of opinion among accountants as to what should be included in the Trading section of the Trading and Profit and Loss Statement. Some contend that this section should show only the trading activities of the business and the prime cost of the turnover, the difference between which is the true gross profit on trading. This is the opinion of leading American and English accountants, and is in accordance with the practice followed in this book.

Other accountants include in the Trading section, in addition to the main items mentioned above, the cash discounts on purchases and on sales; while some include all expenditures directly connected with sales, or which directly reduce the price realized for the goods, but do not include the cash discount on purchases.

In matters of this kind, however, as in many others connected with business records, the wishes of the owners or directors of the business should be observed by the accountant.

The first section of the Profit and Loss account shows, on the debit side, the deductions from the gross trading profit, which comprise selling expenses, general and administrative expenses, interest and discount allowances to others, and depreciation of property. The credit side shows the gross trading profit and the interest and discount allowances to us. The difference between the two sides of this section shows the net trading profit, which is entered in red ink, and brought down to the next section in black ink.

Property in use is certain to depreciate, and in almost every business losses are sure to occur from the failure of some debtors to pay their obligations in full.

Since no Reserve for Depreciation of property account is maintained in this business, the depreciation of furniture and fixtures and of horses and wagons will be charged direct to the Profit and Loss account in closing. (See explanation of Reserve accounts, page 244.)

Prepare the first section of the Profit and Loss account, taking the amounts from your trial balance and schedule of inventories. Rule off the section.

The second section of the Profit and Loss account shows, on the credit side, the items real estate, Wamsetta Mill stock and rent, which have no connection with the dry goods business. These are investment items, while the items in the preceding section are revenue items. After the profit from investment is added to that from business, we have the total net gain of the partnership.

Prepare the second section of your Profit and Loss account and rule it off.

The last section of the account shows the disposition of the net profit, a part of which has been set aside as a reserve for bad debts, a part deducted for allowances for interest on the partners' net capital, and the remainder divided equally among the partners.

It has been decided to reserve out of the profits of this period one per cent of the amount of the outstanding Accounts Receivable for bad debts. Enter this amount in the section.

Compute the interest on the partners' accounts according to the partnership agreement and enter the net amounts in the account. (See partnership agreement, page 226.) Complete the Profit and Loss account, after which foot and rule off the section and submit the Trading and Profit and Loss Statement to your teacher for approval.

TRADING, AND
DOW, JONES & CO.,

| | | | |
|-------------------------------------|-----------------|----------|----------------|
| Inventory Aug. 1 | 27548.66 | | |
| Purchases | 2763.47 | | |
| Freight Inward | 120.95 | 3450.14 | |
| Depreciation | | | |
| Returns | 130.00 | | |
| Inventory Aug. 31 | <u>24644.85</u> | 24705.51 | |
| Cost of sales | | | 5061.63 |
| <i>Gross profit on trading</i> | | | <u>1071.40</u> |
| | | | 7562.12 |
| Selling Expenses | | | |
| Traveling Expenses | | 435 | |
| Shipping Department Salaries | | 157 | |
| Delivery Expenses | | 131.34 | |
| Shipping Supplies, cost | 320.72 | | |
| Inventory Aug. 31 | <u>270.80</u> | 40.92 | 766.24 |
| General and Administrative Expenses | | | |
| Office Salaries | | 475 | |
| Office Supplies, cost | 315.75 | | |
| Inventory Aug. 31 | <u>235.25</u> | 80.50 | |
| Office Expenses | | 25 | |
| Rent | | 200 | |
| Insurance, cost | 150 | | |
| Unexpired | 135 | 15 | |
| Interest accrued on notes pay. | 102.53 | | |
| Less credit balance | <u>105.15</u> | 27.38 | |
| Discount | | 31.00 | |
| Collection and Exchange | | 7.62 | |
| Discount on Sales | | 53.00 | |
| Depreciation as under | | | |
| Furniture and Fixtures | | 35 | |
| Horses and Wagons | | 15 | 965.55 |
| <i>Net profit on trading</i> | | | <u>207.00</u> |
| | | | 2320.10 |
| <i>Net profit</i> | | | <u>1552.00</u> |
| | | | 1534.00 |
| Disposition of net profit | | | |
| Reserve for bad debts | 100 | | |
| Interest Dow's Capital | 213.50 | | |
| " Jones' " | 170.83 | | |
| " Cox's " | 57.00 | | |
| Dow's net profit | 320.20 | | |
| Jones' " " | 370.20 | | |
| Cox's " " | 300.20 | | |
| | | | 1534.00 |
| | | | <u>1534.00</u> |

PROFIT AND LOSS STATEMENT,
AUG. 31, 19—

| | | |
|-----------|---------|---------|
| Sales | 8205 60 | |
| Deduct | | |
| Returns | 643 48 | |
| Net sales | | 7562 12 |

| | | |
|--------------------------------------|---------|---------|
| Gross profit on trading, down | 1871 40 | 7562 12 |
| Discount on purchases | 430 13 | |
| Interest accrued on notes receivable | 21 57 | 2329 19 |

| | | |
|--------------------------------------|------------|---------|
| Net profit on trading, down | 597 40 | 2329 19 |
| Real estate, present value | 10500. | |
| Rent due | 100. | |
| | 10600. | |
| Cost | 10225. 375 | |
| United Dry Goods Stock, market value | 11400. | |
| Cost | 10837.50 | 562 50 |
| | | 1534 90 |
| Net profit, down | | 1534 90 |

1534 90

Dow, Jones & Co., AUGUST 31, 19—

| | | LIABILITIES | |
|--------|--------------------------------------|-------------|----------|
| | Notes Payable, per schedule No. 4 | 15400 | |
| | Interest accrued on above | 192 | 53 |
| | Accounts Payable, per schedule No. 2 | 17354 | 02 |
| | Total liabilities | | 32946 55 |
| Dow. | Capital % | 21372 | 87 |
| | add interest on capital | 213 | 59 |
| | " $\frac{1}{3}$ net profit | 306 | 29 |
| | | 21892 | 75 |
| | less debit balance personal % | 225 | |
| | net capital | | 21667 75 |
| Jones. | Capital % | 15087 | 04 |
| | add interest on capital | 179 | 83 |
| | " $\frac{1}{3}$ net profit | 306 | 29 |
| | | 15573 | 16 |
| | less debit balance personal % | 175 | |
| | net capital | | 15398 16 |
| Cox. | Capital % | 6000 | |
| | add interest on capital | 57 | 61 |
| | " $\frac{1}{3}$ net profit | 306 | 29 |
| | " credit balance personal % | 135 | |
| | net capital | | 6408 90 |
| | Total liabilities and capital | | 76511 36 |

form of Balance Sheet, pages 244 and 245.) The debit side shows the current and fixed assets of the business, and the credit side shows the current liabilities, and the net capital, or present worth, of the proprietors.

In making up your Balance Sheet arrange the assets in the order of floating and fixed. (See Assets and Liabilities, page 225.) Begin with current assets, and follow with the others in the order in which they could be most easily realized, or converted into cash. Arrange the fixed assets in the order in which they could be most easily realized.

Arrange the floating liabilities in the order in which they would have to be met. It is customary to state Notes Payable first on the Balance Sheet, and Accounts Payable next.

Since the business has no fixed liabilities, none will appear in your Balance Sheet.

State the separate interests of the partners as shown in the form.

After completing the Balance Sheet rule it off, and submit it to your teacher for approval.

Closing the Ledger by Journal Entries.—Heretofore you have closed the ledger by making red ink and cross entries directly in the accounts. This is called "direct closing." In this work you will close the ledger by passing the entries through the journal; that is, by making the closing entries in the journal and posting them to the general ledger in the regular way. This dispenses with red ink and cross entries in the ledger, and conforms to the now well-established accounting axiom that "no entry should be made in the ledger except through some book of original entry."

The first step in closing the ledger will be to dispose of the accounts represented by the items in the first section of your Trading and Profit and Loss statement, or Trading account.

The entries which you will make in the journal for each section of the Trading and Profit and Loss statement, will correspond to the red ink entries which you would make in the ledger if you were to close the

ledger by direct closing. Therefore, determine what red ink entries you would make for these accounts by direct closing, and make corresponding entries (in black ink) in the journal, debiting or crediting Profit and Loss for the total, or net amount, instead of for each amount, as you would do by direct closing.

Your Trading account shows the following debit items: sales, returned purchases, inventory (close of present period); and the following credit items: inventory (beginning of present period), purchases, returned sales, freight inward, and profit and loss for the gross profit.

Frame the journal entry, using the explanation *To close*, after each item, excepting the inventory items, for which write the dates of the respective periods.

When this entry has been posted, the accounts represented by the Trading account will balance, and the Profit and Loss account will show the gross trading profit for the period.

Some accountants construct a Trading Account account in the ledger, and carry to it the items which appear in the trading section of the Trading and Profit and Loss statement, and transfer the balance to Profit and Loss account. The effect is the same in other case, but since the statement shows all the trading facts in detail, and can be referred to more readily and conveniently than could a book, many accountants regard it unnecessary to keep a Trading Account account.

The next step will be to dispose of the accounts represented by the items in the first section of the Profit and Loss account. In order to have these accounts show their true profits and losses for the period it will be necessary first to enter in their respective accounts the amounts of the asset and liability inventories as shown by the schedule of inventories.

Frame a journal entry debiting Sundry Inventories (for the total amount of the credits) and crediting Furniture and Fixtures, Horses and Wagons, Shipping Supplies, Office Supplies, Insurance, and Interest for the individual amounts. For explanation write *Sundry Inventories, to close*.

Next frame a journal entry debiting Interest and crediting Sundry Inventories for the amount of the interest liability, as shown in the schedule. Make explanation similar to that for the preceding entry.

Next frame a journal entry for the credit items in the first section of the account, debiting Discount on Purchases and Interest for the amounts shown, and Loss and Gain (for the difference between the amount of the debit items and the amount of the credit items in the entry); and crediting the debit items for their respective amounts. For explanation write *Profit and Loss to close*. When this entry has been posted, the accounts represented by the section will balance, and the balance of Profit and Loss account will show the net trading profit.

The second section of the Profit and Loss account shows on the credit side the items Real Estate, Rent, and Wamsetta Mills stock, and by referring to the schedule of inventories, we find that these are included in the assets. Frame a journal entry, debiting Sundry Inventories and crediting Real Estate (two items, present value and rent accrued) and Wamsetta Mills stock, with proper explanation.

Next frame a journal entry debiting the credit items for the gains shown in the second section of the account, and crediting Profit and Loss, with proper explanation. When this entry has been posted, the accounts represented by the section will balance, and the balance of the Profit and Loss account will show the net profit of the firm.

The last section of the statement shows on the credit side the net profit of the firm, and on the debit side, the items, Reserve for Bad Debts, Interest on partners' capital, and the partners' net gains.

The net profits of a business may be credited to the capital accounts, thereby increasing the working capital of the business, or they may be credited to the personal accounts of the partners and withdrawn, or used to offset withdrawals. In this work the net profits will be left in the business and credited to the partners' capital accounts.

Frame a journal entry debiting Loss and Gain for the net profit and crediting Reserve for Bad Debts, and the partners' capital accounts for the interest amounts and for their respective shares of the net profit, with proper explanation.

When this entry has been posted the Profit and Loss account will balance, as will also all profit and loss (nominal) accounts.

Frame a journal entry debiting each partner's capital account for the balance of his personal account and crediting his personal account for the amount.

Post the above journal entries.

Foot and rule off all general ledger accounts that balance. Rule off by single lines the item in Inventory account which represents the inventory at the beginning of the present period.

Close the partners' capital accounts by red ink entry, writing for explanation *net capital*. Rule off the accounts and bring down the balances in the usual way. See if these balances agree with the Balance Sheet.

The closing of the capital accounts by direct entry instead of by journal entry is apparently a violation of the accounting axiom mentioned on page 245, but these entries do not affect any other account and, therefore, cannot be journalized.

You have now completed the closing of the ledger, and the accounts represent the assets and liabilities, and the capital of the business. A part of the assets and liabilities, however, are represented by the Sundry Inventories account, which controls the separate accounts to which these inventories belong. In order to have the separate accounts represent their true assets and liabilities at the beginning of the next period, as shown by the Balance Sheet, it will be necessary to credit or charge them with the amounts of the inventories represented by the controlling account.

From your Balance Sheet frame a journal entry under date *September 1, 19—*, debiting the asset balances represented by the Sundry Inventories account, and crediting that account for the total amount. For explanation write "Balance." Frame another entry debiting Sundry Inventories for the amount of the liability balance and credit Interest account for the amount, with proper explanation.

Post the above entries, and rule off the Sundry Inventories account.

Post-closing Trial Balance. — A post-closing trial balance is a trial balance of the general ledger taken after it has been closed for a business period.

You will now take a post-closing trial balance of your general ledger, and submit it to your teacher for approval.

Before proceeding further, read again the paragraphs relating to the purchase journal, sales journal, and the bill and charge system, pages 221 and 222.

WHOLESALE DRY GOODS BUSINESS — *Continued*

PRELIMINARY WORK

SEPTEMBER 1, 19—

Henry W. Taylor has this day withdrawn from the firm of Taylor, Wood & Co., and a new firm has been formed, consisting of Clark F. Wood, (Student), and Frank H. Taylor, to continue the business heretofore conducted under the name of Taylor, Wood & Co. Henry W. Taylor has assigned his interest in the old business to Frank H. Taylor as of this date,

and articles of copartnership have this day been executed by the partners of the new business.

According to the articles of copartnership the new partnership agreement is the same as the old one (see page 225), excepting that Wood is to receive a salary of \$200 a month, (Student), \$225, and Frank H. Taylor, \$150. There is to be no change in the style of the firm name, and the capital of the new firm is to be the same as that of the old one, as shown by its books, closed as of Aug. 31, 10—. The capital of Henry W. Taylor in the old business is to become the investment of Frank H. Taylor in the new business. The books of the old firm are to be used as the books of the new firm, and are to be closed annually, as of September 30.

Make a brief statement of the above conditions in your journal under date Sept. 1, 10—, and frame an entry to transfer Henry W. Taylor's interest to Frank H. Taylor, making proper explanation of the entry. Post the entry, and rule off the account of Henry W. Taylor. Set up the new capital account under the old one.

Books Kept.—You will use the same books for September as you did for August, excepting the sales book, which will be replaced by the sales journal; and the purchase journal will be added to the set.

TRANSACTIONS

SEPTEMBER 1

No. 82.—Check from Isaac Holman & Sons in payment of note due to-day.

No. 83.—**A, B, C.** Duplicate charge bills. Jas. H. Wood & Son; Thompson & Bulkeley; Sibley & Co. Enter the bills in the sales journal, beginning with the number 100, and number all succeeding bills consecutively.

Head your sales journal, *Sept. 1, 10—*. Enter only the serial number of the bill, name of the purchaser, and the amount of the bill, extending the amount into the Items column and the daily total into the Total column. The separate entries in the sales journal will not be posted, but the footing will be posted at the end of the month.

Post from the charge bills directly to the accounts in the sales ledger, in the daily posting, and place the folio of the account on each bill to indicate that it has been charged. Remember to enter the terms in the account. Cash sales bills will not be entered in the sales journal. Place the bills in your Voucher File.

No. 84.—Send H. R. Judson, your traveling salesman, check for \$75 for traveling expenses.

SEPTEMBER 2

No. 85.—Cash from E. B. Kerns for rent of flat, #74 Center St., August and September, \$200. (*Real Estate 10%.*)

No. 86.—Check from Levy & Garson for invoice of Aug. 25, less 6%.

No. 87.—Invoice from Burke, FitzSimons, Hone & Co. Enter the invoice in the purchase journal. Number this invoice 1.

Head your purchase journal the same as you did your sales journal, number the entries consecutively, and enter only the name of the creditor and the amount of the invoice. Write the entry number on the upper right-hand corner of the invoice. The separate entries in the purchase journal will not be posted, but the footing of the book will be posted at the end of the month. Post from the invoices directly to the accounts in the purchase ledger, in the daily posting, and place the folio of the account on each invoice to indicate that it has been credited. Remember to enter the terms in the account.

No. 88.—Pay invoice Burke, FitzSimons, Hone & Co., due to-day, as follows: Deduct from the amount of the invoice the charge for goods returned on Aug. 11, as per ledger,

and from this amount deduct 1%, as per terms of bill. Write a check for the net amount.

No. 89. — An order was received to-day from Ingham & Case, but as they owe a balance which has been running a long time, it was not deemed advisable to sell them more goods on account. In response to our telegram they instructed us to ship the goods subject to bank order, and allow special cash discount.

No. 89 a. — Make a sight draft favor of Commercial Bank for the net amount of the bill, pin it to the bill of lading, and leave both at the bank for collection. Treat the transaction as a charge sale.

No. 90. — Duplicate charge bill. C. H. Roberts.

No. 91. — Check from Harris & Smith to apply on account.

SEPTEMBER 5

No. 92. — Duplicate cash bill. Weston & Hill, City (check). Enter in cash book only.

No. 93. — Deposit all checks. Bank charges for collection, 75¢

No. 94. — Duplicate charge bill. W. O. Harrison; terms, 6% 10 ds., 5% 30 ds.

SEPTEMBER 6

No. 95. — Invoice from Burke, FitzSimons, Hone & Co. (See No. 87.)

No. 96. — Pay Little Falls Woolen Co., by check, for invoice of Aug. 12, \$163.22, less 1%.

No. 97. — This check from Jas. H. Wood & Son is on account.

SEPTEMBER 7

No. 98. — Check from Sibley & Co. is in full for bill of July 25.

No. 99. — A, B, C. Duplicate charge bills. B. C. Wiley; Carlton, Sons & Co.; L. H. Parker.

No. 100. — Duplicate charge bill. Burke, FitzSimons, Hone & Co. for goods returned.

No. 101. — Check from Brown & Wilson for note due to-day.

SEPTEMBER 8

No. 102. — Invoice from Sibley, Lindsay & Curr Co.

No. 103. — Send check to Sibley, Lindsay & Curr Co., for note due to-morrow.

SEPTEMBER 9

No. 104. — Mr. Taylor draws \$200 from the business, by check, for personal use.

No. 105. — Note from Harris & Smith to apply on account.

No. 106. — Received notice from your bank that the draft of 3d inst. on Ingham & Case has been paid. Collection, 70¢.

NOTE. — When in doubt as to how to classify a transaction, refer to the entry of a similar transaction in the August work.

SEPTEMBER 10

No. 107. — Bill from L. H. Parker, Lima, for goods returned. Send L. H. Parker a credit memorandum.

No. 108. — Mr. Wood draws \$250, by check, for personal use.

SEPTEMBER 12

No. 109. — **A, B.** Duplicate cash sales bills. T. D. Winch, and Allen & Co.

No. 110. — Deposit \$300 currency and all checks. Collection charges, \$1.25.

No. 111. Send Sibley, Lindsay & Curr Co. a check for \$4484.23, in payment of invoice of July 14.

No. 112. Ingham & Case have paid no attention to letters from Mr. Taylor regarding the settlement of their account. Make a sight draft on them for \$66.35 and leave it at the bank for collection. Write in pencil, in their account in the ledger, *Sight draft, 9 12.*

SEPTEMBER 13

No. 113. Check from W. O. Harrison for bill of Sept. 5, less 6%.

No. 114. — Pay cash for stamps and office supplies, \$10.

No. 115. — Check from Lewis W. Chase to apply on account.

SEPTEMBER 14

No. 116. Draw for your own personal use, \$150, by check.

No. 117. — Invoice Gimbel Bros.

No. 118. — **A, B, C.** Duplicate charge bills. J. G. Smith; Lewis W. Chase; Levy & Garson.

No. 119. — Discount the invoice of Granite Mills, dated Aug. 15, and send check, for the net amount.

No. 120. — Duplicate charge bill. Gimbel Bros.

No. 121. — **A, B.** Duplicate cash sales bills. E. H. Marcy & Co.; Wallace Bros. (check).

No. 122. — Pay clerk hire, \$75, in cash.

No. 123. — Pay freight bills to date, per agent's request, by check, \$27.45.

SEPTEMBER 17

No. 124. — Check W. O. Harrison is for note due to-day.

No. 125. — Deposit all checks. Collection, \$2.

No. 126. — The bank informed you, at time of making above deposit, that your draft of the 12th inst. on Ingham & Case has been returned unpaid. No reason assigned.

Write in lead-pencil, in their account in your ledger, *Draft returned, 9 17.*

SEPTEMBER 19

No. 127. — Invoice from Little Falls Woolen Co.

No. 128. — Pay rent for September, \$300, by check.

SEPTEMBER 20

No. 129. You have outstanding an interest-bearing note, due to-day, and, as you have not enough funds to meet it, the bank has agreed to renew one-half of the face of the note for 10 days.

Make your note at 10 days (with interest), in favor of the Commercial Bank, \$5000. Receive credit for the face of the note. Enter in the bill book, and add to your deposit on stub of the check book.

You have in effect discounted a note at the bank and received credit for the proceeds. Therefore you have increased your bank balance that amount.

No. 130. — Draw a check, in favor of the Commercial Bank, in full for the old note as above and four months' interest. This is your first "renewal," and you should study the transaction carefully.

No. 131. — Check from W. B. Snow to apply on account.

SEPTEMBER 21

No. 132. — Note received from Lewis W. Chase on account.

No. 133. — Discount the note received from Lewis W. Chase to-day, and receive credit for the proceeds.

No. 134. — A, B, C, D. Duplicate charge bills. Jas. H. Wood & Son; Thompson & Bulkeley; Sibley & Co.; Brown & Wilson.

SEPTEMBER 22

No. 135. — Check received from J. G. Smith is on account.

No. 136. — Deposit the checks on hand. Collection, 75¢.

SEPTEMBER 23

No. 137. — Mr. Taylor draws cash, \$50, for private use.

No. 138. — Check from B. C. Wiley to apply on account.

No. 139. — Invoice from Sibley, Lindsay & Curr Co.

No. 140. — Invoice from Burke, FitzSimons, Hone & Co.

SEPTEMBER 24

No. 141. — Pay grain and feed bills in cash, \$16.75.

No. 142. — Check from J. G. Smith for bill of 14th inst., less 6% discount.

No. 143. — Pay Burke, FitzSimons, Hone & Co., by check, for invoice of Aug. 31, less 5%.

SEPTEMBER 26

No. 144. — Duplicate charge bill. W. B. Snow; terms, 2% 10 ds., 1% 30 ds.

No. 145. — Send Gimbel Bros. check for note due yesterday.

When notes or other obligations mature on Sunday, it is customary to pay them the following day, but in the states where days of grace are yet allowed they are payable on the preceding day.

No. 146. — Check from Levy & Garson in payment of invoice of 14th inst., less 2%.

No. 147. — Duplicate charge bill. Carlton, Sons & Co.

No. 148. — Check from Darius D. Miner for \$5000. This money has been raised to meet the "renewal" note due in a few days at the bank, and was borrowed on the firm's demand note, with interest, 6%, secured by first mortgage on the flat at 74 Center St. Make the note, and the proper entries for the transaction.

Apparently the firm has issued liabilities of double the value of the asset received, but since the payment of the mortgage is conditional on the non-payment of the note, the liabilities have actually been increased by only the amount of the increase in the assets.

Since the money was obtained on the note and not on the mortgage, Mortgage Payable account is not, of course, charged at this time.

No. 149. — Deposit cash, \$200, and all checks. Collection and exchange, \$2.

SEPTEMBER 28

- No. 150. — Pay freight bills to date by check, \$20.14
 No. 151. — Pay cash for clerk hire, \$70; teamster, \$45
 No. 152. — Pay telephone bill by check, \$15. (Office Expenses %.)

SEPTEMBER 30

- No. 153. — Draw cash for your own personal use, \$40.
 No. 154. — Pay, by check, note and interest due at bank to-day.
 No. 155. — Pay H. R. Judson his salary for September by check, \$150.
 No. 156. — Pay rent of stable for September, \$50, by check favor of B. F. Nolan.
 Make proper entry for salaries due the partners.

Construct a controlling account in each of your subsidiary ledgers, thereby making them self-balancing. (See Self-balancing Ledgers, page 223.)

Complete the daily posting and prove the cash. Foot, post and rule off all books of original entry, as in the work for August. Take a trial balance of the general ledger and of each of the subsidiary ledgers, and see if the subsidiary ledgers are in agreement with the controlling accounts in the general ledger. Use loose journal paper for your subsidiary trial balances, and remember to include only the current balances.

No. 156 *a.* — Assuming that the checks issued Sept. 28 and 30 are outstanding, make a bank voucher slip, balance your pass book, and reconcile your bank balance.

Dissolution of Partnership. — It has been apparent to your partners and yourself that the present conditions in the trade, and the outlook for increasing the business, do not justify a continuance of three active partners. Therefore it has been decided that Mr. Wood will withdraw from active management, leaving his capital in the business, and that you will retire from the firm on Oct. 1, to engage in the shoe manufacturing business.

The following is a schedule of the assets and liabilities of the firm, Sept. 30, 19—, not shown on the books.

INVENTORIES

Assets

| | | |
|--|----------|-------------|
| Merchandise, per schedule No. 5, | | \$ 22372.70 |
| Furniture and Fixtures, cost, | \$ 2475. | |
| Depreciation, 1%, say, | — 25. | 2450. |
| Horses and Wagons, cost, | 752.50 | |
| Depreciation, 1%, say, | — 7.50 | 735. |
| Insurance, cost, | 207.50 | |
| Earned, | — 7.50 | 200. |
| Shipping Supplies, per schedule No. 6, | | 93.25 |
| Office Supplies, " " No. 7, | | 100.50 |
| Real Estate, appraised value, | | 12250. |
| Wamsetta Mills stock, market value, | | 1150. |

Compute the interest on the partners' accounts.

Prepare a Trading and Profit and Loss statement from your trial balance and schedule of inventories, and submit it to your teacher for approval. Reserve one-half of 1% of the amount of the gross sales for September for bad debts.

Prepare a Balance Sheet and submit it to your teacher for approval.

Transfer to their proper accounts, through the journal, the items shown in the Trading account and Profit and Loss statement and the inventory items.

Close all profit and loss accounts through the journal, and rule off the accounts.

Close the Profit and Loss account and the partners' personal accounts through the journal, and rule off the accounts.

Close through the journal the Sundry Inventories account, and re-open the accounts which it controls. Rule off the Sundry Inventories account and the Inventory account.

Close the partners' capital accounts by direct entries, and bring down the balances. Rule off the accounts.

Take off a post-closing trial balance, and submit it to your teacher, together with your books and vouchers, for approval.

EXERCISES

1. Rule a half sheet of paper to represent two pages of a general ledger, and construct a Trading account on one of the pages, and a Profit and Loss account on the other. Transfer from their respective accounts in your ledger to the Trading account such items as will cause that account to show in detail the trading results for August. Close out the account, and transfer the gross trading profit to the Profit and Loss account by direct entries.

2. Transfer from their respective accounts in your ledger to the Profit and Loss account such items as will cause that account to show in detail the profits and losses for August. Close out the account by direct entry for the amount of the net gain.

3. Make such direct entries in the Trading account from your ledger as will cause the account to show the trading results in detail for September. Close out the account, and transfer the gross trading profit to the Profit and Loss account.

4. Make such direct entries in the Profit and Loss account from your ledger as will cause that account to show, first, the net trading profits for September, and second, the division of the net gain for the month. This will require two closings of the Profit and Loss account for the month.

5. State which of the two methods of treating the Trading account and the Profit and Loss account, as illustrated in the Dry Goods business and in the above exercises, you think is the better, and give the reasons for your opinion.

6. Rule one side of a half sheet of cap paper to represent a page of a general ledger, and construct a Merchandise account. From their respective accounts in your ledger, transfer by direct entries such items as will cause the account to show the merchandising results for August. Balance and rule off the account, transfer the gain, and bring down the current inventory. Next cause the account to show the merchandising results for September. Balance and rule off the account the same as for August.

7. The check book of the Bigelow Dry Goods Company on October 31 showed an overdraft of \$53.92, and the bank pass book when written up as of that date showed a credit balance of \$416.27. The deposits and collections for November amounted to \$13751.84, and the checks issued amounted to \$8527.39. When the pass book was written up for November, it showed a credit balance of \$6532.28. The checks outstanding were: #389, \$156.82; #412, \$1309.02; #415, \$87.12. Rule a form of check book stub, and show how you would reconcile the bank balances on October 31 and November 30, using the above figures.

8. Prepare a Cash Differences slip (see Cash Differences on page 220), and make the

necessary records on it for the following "outs" which you will assume occurred in your cash book for February: 1, over, \$2.19. 2, over, \$2.19. 3, over, \$2.19. 4, short, \$2.81. 6, short, \$2.81. 7, O. K. 21, short, \$3.65. 22, short, \$3.65. 23, O. K. 24, short, \$1.25. 25, short, \$1.25. 27, short, \$1.25. 28, over, \$8.75. Rule a journal form and frame an entry for the monthly cash difference.

9. Your bank has notified you that the check of J. T. Carpenter, in your deposit of February 28, contains a discrepancy of \$10 between the amounts as expressed in words and in figures. You find upon investigation that Carpenter was credited from his letter, which accompanied the remittance, for \$132.75, the amount as expressed in words, and that the check was included in the deposit for the amount \$122.75, as expressed in figures. Frame proper entries to adjust Carpenter's account, the Cash Differences account, and the bank account.

10. Assume that you have been keeping a General Expense account for all expenses, except selling expenses, and that you have a General Expense column in your cash book. You are instructed to submit an analysis of the General Expense account, to be used in making up a semiannual Trading and Profit and Loss Statement, and are informed that the subdivision of the General Expense account is to be as follows: Office Supplies, Office Expenses, Office Salaries, Shipping Supplies, Shipping Expenses, Delivery Expenses, Rent, Miscellaneous Expenses.

Prepare an analysis sheet by ruling as many money columns on a sheet of cap paper as you have subdivisions of the account to be analyzed, and head each column with the name of a subdivision.

Assume that your cash book shows the following general expense entries for the period: Boxes, \$14.25, \$17.10, \$13.05, \$24.60. Automobile repairs, \$3.75, \$7.50, \$18. Store rent, \$200, \$200, \$200, \$200, \$200, \$200. Gasoline, \$3.60, \$4.50, \$1.80, \$9. Stationery, \$12.50, \$26.30, \$3.85, \$14.60. Office salaries, \$750, \$750, \$675, \$725, \$875, \$775. Shipping Department salaries, \$325, \$325, \$450, \$425.75, \$375, \$410. Typewriters, \$100, \$162.50. Nails and bands, \$3.25, \$6.15, \$8.50. Garage rent, \$25, \$25, \$30, \$30, \$25, \$25. Postage, \$5, \$3.75, \$5, \$10. Telephone, \$10, \$10.75, \$11.25, \$10, \$13.25, \$10.85. Typewriter repairs, \$1.75, \$2, \$1.25. Typewriter ribbons, \$4.80, \$2.50. Wages, chauffeur and helper, \$100, \$95, \$100, \$105, \$100, \$90. Taxes, \$113.75. Insurance, \$68.75. Pens, pencils, etc., \$1.10, \$7.75, \$2.25. Telegrams, \$40, \$2.25, \$7.2, \$4.45, \$3.30, \$2.25, \$6.00, \$93. Electric light, \$4.25, \$4, \$3.75, \$3.60, \$3.25, \$2.75. Roll-top desk and chair, \$85. Rubber tires, \$70, \$36. Extra trucking, \$3.75, \$4.25, \$2.50, \$7.25. Wrapping paper and twine, \$14.25, \$1.85, \$3.60.

Carry the above items to the proper columns on the analysis sheet, total the columns, and make the required analysis on a separate sheet.

11. Goodwin & Mackey had merchandise on hand July 1, 19—, inventoried at \$12200.26. They dissolved partnership August 31 of the same year. Their net purchases, including freight, during July and August were \$6028.34, and their net sales, \$13775.50. Their stock on hand August 31 was inventoried at \$6353.50. Prepare a Trading Account section of a Trading and Profit and Loss Statement, and show the gross profit on trading, and the percentage of gross profit on the turnover.

12. The merchandise inventory schedules of James Sheffield & Company on June 30, 19—, were as follows: Furnishing Goods, \$1458.50; Gloves and Mittens, \$1804.50; Knit Goods, \$1000.75. Their net purchases during the period were: Furnishing Goods, \$1391.25; Gloves and Mittens, \$1600.50; Knit Goods, \$3987.25. Their net sales were: Furnishing

Goods, \$3303.60; Gloves and Mittens, \$3919.60; Knit Goods, \$6555.25. Their stock on hand at the beginning of the period was as follows: Furnishing Goods, \$2500.90; Gloves and Mittens, \$2600.50. Knit Goods, \$3500.50. Construct separate accounts for each department, and show the gross profit on trading, and percentage of profit on each class of goods.

13. Using the data in No. 12, prepare a Trading account section of a Trading and Profit and Loss Statement, and show the gross trading profit and the percentage of the profit of each department, the total gross trading profit, and the percentage of total gross profit on the total turnover.

14. From the data given on the Profit and Loss section of your Trading and Profit and Loss Statement for September, prepare a Profit and Loss section which will show the selling expenses, and the percentage of cost for selling, based on the turnover; the actual general and administrative expenses, and the percentage of cost for conducting and administering the business based on the turnover. In doing this work distinguish between allowances and expenditures. Complete the Profit and Loss section.

15. The assets and liabilities of D. F. Beattey & Co. for the period ending December 31, 19—, were as follows: Assets — Cash on hand, \$43.29; In bank, \$6790.24; Notes Receivable, \$9909.76; Accounts Receivable, \$8552.76; Real Estate, \$6000; Merchandise, \$6713.30; Furniture and Fixtures, \$1789.48. Liabilities — Accounts Payable, \$1736.16; Notes Payable, \$2000. The partners' accounts were as follows: D. F. Beattey, Capital, \$20000; Personal (Debit balance), \$480. E. H. Sprague, Capital, \$15000; Personal (Debit balance), \$433.67. The open nominal accounts were: Debits — Discounts on sales, \$302.57; Interest, \$21.34; Agents' Salaries and Expenses, \$764.12; Office Salaries and Expenses, \$564.80. The net purchases were \$8514.27, and the net sales, \$13009.57. The merchandise on hand at the beginning of the period was inventoried at \$7362.91; real estate at \$6180; and furniture and fixtures at \$1826. From the above data make a Trial Balance, a Trading and Profit and Loss Statement, and a Balance Sheet.

The following exercises are given for use in schools which have adding machines:

16. Prove the charge postings to your sales ledger for August, by listing, first, the charge sales from your sales book, and second, the charge entries in the ledger, and comparing the totals of the two lists.

17. Prove the credit postings to your sales ledger by listing, first, the credit payments by customers from the cash book and journal, and the return sales; and second, the credit entries in the ledger, and comparing the totals of the two lists. Compare the difference between the above charge entries list and the credit entries list, with the balance of Accounts Receivable accounts as shown in your balance sheet for August.

18. Prove the credit postings to your purchase ledger for September by listing, first, the invoices in your invoice book; and second, the credit entries in the accounts, and comparing the totals of the two lists.

19. Prove the debit postings to your purchase ledger by listing, first, the payments to creditors from your cash book and journal, and the return purchases; and second, the debit entries in the accounts, and comparing the totals of the two lists. Compare the difference between the above credit entries list and the debit entries list, with the balance of the Accounts Payable account, as shown by your balance sheet for September.

20. Prove your bank balance for September as shown by your check book by listing, first, your deposits and collections from your check book stub, and second, the checks, from the vouchers, and comparing the difference between the totals of the two lists with the balance shown in the check book.

QUESTIONS

1. What is wholesaling?
2. From what do wholesalers chiefly obtain their revenue?
3. What is the principal revenue account of a mercantile business?
4. What is meant by "trading"? By "turnover"?
5. Describe the form of journal used in the Wholesale Dry Goods business, and explain the posting.
6. Describe the cash book, and explain the posting.
7. How may the cash be proved at any time, when this form of cash book is used?
8. What are "cash differences"? Explain how they are treated and adjusted.
9. What is a purchase journal? A sales journal?
10. Explain how the posting is done from these two books. Explain the bill and charge system.
11. Describe the auxiliary ledgers used in this work.
12. How may accounts with customers be divided when sectional sales ledgers are used?
13. What is a private ledger?
14. What controlling accounts did you construct in this work?
15. Upon what does the accounts to be kept in any business usually depend? What determines the special accounts to be kept?
16. What is the principal deduction from revenue in a mercantile business? How may the account which it represents be divided?
17. Explain "analyzing an account."
18. How are accounts usually divided? Explain each division.
19. Define assets and liabilities. Explain fixed assets; floating assets; fixed liabilities; floating liabilities.
20. When a legal change takes place in the ownership of individual or partnership business, what is the effect, and what must be done?
21. Is it necessary to open a new set of books when such a change takes place?
22. How would a new set of books be opened?
23. What are supporting records?
24. What is a shipper's order? Explain the difference between this and a C. O. D. express shipment.
25. What are return books? Explain how returns are treated in this work.
26. What are the different classes of expenses? Explain each.
27. When are merchandise inventories usually taken? For what purposes? At what price?
28. How can the true profits of any business period be determined?
29. What is a "trading and profit and loss statement"? Explain each section in detail.
30. What is the difference between the terms "gross profit on trading" and "net profit on trading"?
31. What are reserves? Explain "depreciation."
32. What is a balance sheet?
33. How are the assets and liabilities usually arranged on a balance sheet in a mercantile business?
34. What is the principal difference between a profit and loss statement and a balance sheet?
35. What are "quick assets"? Give some examples.
36. How is the general ledger closed in this work, and in accordance with what accounting axiom?
37. Why are not the partners' capital accounts closed by passing the entries through the journal, instead of by making direct entries?
38. What purpose does the Sundry Inventories account serve?
39. What is a post-closing trial balance?
40. What new features of bookkeeping and accounting have you learned in this work?

CORPORATIONS

A **Corporation** is an artificial body created by law for certain purposes, which are stated in its charter, or articles of incorporation. It is composed of individuals, and differs from a partnership chiefly in that it is limited in its activities to the specific purposes for which it was created; that it has a capacity of perpetual succession; and that the members which compose it are not liable for the debts of the corporation, excepting in certain cases, and then only for a limited sum.

Corporations are divided into two general classes; namely: public corporations, which are created for the purposes of government and the management of public affairs; and private corporations, which are created for private purposes, and the management of private affairs in which the members are interested. Some private corporations are engaged in enterprises which are of a public nature, but which are conducted and managed for private purposes or private gain. Some of these corporations, such as railroad, gas, water, telegraph, telephone, and street car or traction companies, etc., are called "public service corporations." Banks, trust companies, and insurance companies are called "financial corporations," and those engaged in manufacturing or trading are called "business corporations." Only business corporations will be treated in this work.

Business Corporations.—Until comparatively recent times, most of the manufacturing and trading done in this country was conducted under two forms of management; namely, the single proprietorship form, and the partnership form. Each of these forms possesses certain advantages and disadvantages as compared with the corporate form. Among the advantages are: the ease with which they may be established, the freedom of action allowed, and the benefit to the business from the active, personal efforts of the proprietor or partners. The disadvantages are: the usual inability of a single proprietor or of several partners to command the necessary capital to conduct a large enterprise; liability of the individual owner or of each member of a firm, for all the debts of the concern; and the dissolution of the partnership, and the possible discontinuance of the business, upon the withdrawal or death of a partner.

For the development of great natural resources, and for the distribution of both natural and manufactured products to meet great demand, large capital and organized effort are required, and these are usually best obtained by the corporate form of business. During recent years the corporate form has made great strides in this country, until now it dominates most of the important lines of business, such as mining, manufacturing, merchandising, or trading, as well as transportation and other public service activities.

Holding Companies.—A corporation which is formed for the purpose of controlling other corporations is called a "holding company"; corporations so controlled are called "subsidiary companies." The larger part of the stock of each subsidiary company, or in some cases all of it, is transferred to and owned by the holding company, which issues its own stock in exchange. The subsidiary companies retain their corporate identities, and declare dividends like other corporations. The holding company may thus have a large income, which is distributed in dividends to its stockholders.

Some corporations are created for controlling concerns; the holding company is usually an executive concern. Some corporations are created for the purpose of the merger of holding companies, as they both control other corporations, and operate separate plants or systems. Holding companies are monopolistic in nature, and their corporate conduct is closely regulated by law.

Trusts.—A combination of business corporations formed for the purpose of controlling the output, and maintaining a monopoly of any product or products, and fixing the prices of the same, is called a "trust." Some business corporations, owing to their practically unlimited capital, enormous output, wide activities, and their control of a large part of the kinds of products which they handle, are commonly called trusts.

Corporations : How Created. Formerly corporations were created by special acts of the legislatures, but the statutes of all of the states now provide other methods for the formation of corporations.

Government Supervision.—Corporations, being creatures of government, are subject to the supervision of the power which created them. The supervision is expressed in their charters, and in various acts of the legislatures, and is exercised by special governmental bodies, such as Railroad Commissions, Public Service Commissions, etc. Corporations which do an interstate transportation business are subject to the supervision of the national government, and this supervision is exercised by the Interstate Commerce Commission.

The extent of the supervision of corporations differs in the various states. In some states, it is comparatively slight, while in others it amounts to the control of such important matters as issuance of stocks and bonds, method of accounting, forms of reports or statements, rates for services, and, in some instances, maximum prices of products. The Interstate Commerce Commission has power to control the rates of companies which do an interstate business.

Corporations : How Formed. Corporations are formed in accordance with the requirements of the statutes concerning corporations, and these differ more or less in the various states. A corporation may be formed in the state in which it is domiciled, that is, in which it has its main office, or it may be formed, unless the statutes restrict, under the laws of any other state. A corporation formed in the state in which it is domiciled is called in that state, a "domestic corporation," and in all other states, a "foreign corporation."

The statutes of the various states specify how many persons are required to organize a corporation. In most states, at least three persons of full age must unite to form a corporation; in some states, five or more are required; and in at least one state, any number may so unite. These persons meet and make a certificate of incorporation which usually contains: the name of the proposed corporation; purpose or purposes for which it is formed, and location of its principal business office; amount of capital stock, kinds of stock, and number and par value of its shares; duration of incorporation; number of directors; and such other information as the statutes may require.

Public corporations, and some private corporations, as hospitals, colleges, etc., do not issue stock, and are called "non-stock corporations."

After the certificate of incorporation has been signed by the incorporators, and acknowledged before a notary public or some similar officer, it is then submitted to a proper state officer, usually the Secretary of State, who, if he accepts it, indorses it to that effect and returns it to the incorporators.

When the incorporation fees and the annual tax have been paid, the certificate, accompanied by the State Treasurer's receipt, is then filed in the office of the County Clerk (or other recording officer) of the county in which the principal business office of the company is to be located. Some states require that the certificate of incorporation shall be filed in all

the counties of the state in which the corporation intends to do business. Foreign corporations are required to file a certificate of designation with the secretary of state.

After the certificate of incorporation has been filed, subscription books are opened and the capital stock is disposed of by subscription or otherwise. If the corporation is to be formed to take over a going business, the subscription list is usually dispensed with, the former subscriptions of the incorporators taking its place.

A certain amount must be subscribed for and paid before the corporation is permitted to begin business. After such stock has been subscribed for, and such payment has been made as required by the statutes or stated in the certificate, a meeting of the stockholders is called, at which the officers are elected and by-laws are adopted. The record of these proceedings is filed with the Secretary of State, and a certificate is issued by him to the effect that the corporation is fully organized and authorized to do business under the laws of the state. In a few states, the statutes require that the meeting of the incorporators and the arranging of the organization must take place before the application for the charter is filed.

Kinds of Stock.—The capital stock of a corporation is divided into shares, each share representing a proportionate part of the authorized capital. In this country the shares of a business corporation are usually of two kinds, called "preferred stock" and "common stock." Preferred stock is stock to which some preference has been given, such as regards the payment of dividends, or the assets in case of liquidation, over other stock issued by that corporation. There may be more than one kind of preferred stock, such as first preferred, second preferred, etc. The dividends payable on preferred stock are usually limited in amount; they may be either cumulative or non-cumulative. If cumulative, the stated dividends attach to the stock each year whether or not they are earned, and all arrearages of such preferred dividends must be paid before the common stock receives any dividend. Non-cumulative dividends do not attach to the stock during any period when they are not earned.

Common stock is the ordinary stock of a corporation, with neither special privileges nor restrictions. When all the stock is on the same equality as to voting, dividends, and participation in assets, it is common stock.

When there is more than one issue of stock, it is customary to keep separate accounts for each issue, as Preferred Stock, First Preferred Stock, Second Preferred Stock, Common Stock, etc.

The amount of stock authorized as specified in the charter is called the "capital stock of the corporation." The amount of stock subscribed, paid for, or issued is the "paid-up capital," also called the "outstanding stock." Stock which has been issued and has afterwards been purchased by, or donated to, the corporation is called "treasury stock." Stock which has not been subscribed for and not issued is sometimes called treasury stock, but since such stock has no existence, it can have no value, and therefore should not be treated as an asset. Such stock is called "unissued stock."

Stock Certificates.—The shares of stock in a corporation are issued in the form of certificates, each of which states the kind of stock, par value, and the number of shares which the certificate represents. Stock certificates are transferable by assignment, either wholly or in part, at will, but such transfer is not complete until the proper record has been made on the books of the corporation.

Bonds.—A bond is an obligation, and is in effect a promise to pay a certain sum and interest on the same; the amount of the sum, the date of payment, the rate of the interest and when payable, being specified in the bond. It is one of the functions of corporations to

issue bonds, and the bonds of business corporations are usually issued against tangible assets. To secure payment of these bonds, the corporation is required by statute to execute a mortgage, or some other form of lien on its property, to some trustee or trustees, to be held as security for the payment of the bond at maturity, and of the interest as it falls due.

Bonds are issued for the purpose of raising funds for the use of the corporate business, and in accordance with the provisions of the statutes, and with the consent of the stockholders.

Forms of Bonds. — There are two general forms of bonds; namely, coupon bonds and registered bonds. Coupon bonds are usually payable to bearer, and have interest coupons attached which are also payable to bearer, and which are promises to pay the amount of interest due at each interest period, as specified in the bond. Registered bonds are bonds which are issued in the names of particular persons, and are transferable only on the books of the corporation. Interest on registered bonds is paid only to persons in whose names the bonds appear on the books of the corporation, or to their assignees. Some coupon bonds are registered as to the principal of the bond, the coupons being payable to bearer.

Kinds of Bonds — Bonds are of various kinds, and are usually designated by the nature of the lien by which they are secured, or by the more important or distinctive feature of the issue, such as mortgage bonds, equipment bonds, sinking fund bonds, income bonds, convertible bonds, debenture bonds, etc.

From a bookkeeping standpoint, bonds are treated the same as are notes payable or mortgages payable, a general Bond account or separate accounts for each kind being constructed.

Sinking Fund. — A fund created out of net earnings and set aside for the purpose of paying off a fixed obligation at maturity is called a "sinking fund." The money so set aside is taken out of the business and either deposited with a trustee or invested in marketable interest-bearing securities. Such money is called "invested capital" to designate it from "working capital," or the capital actively used in the business. A sinking fund is an asset to the business.

For commercial purposes the usual way of providing a sinking fund sufficient to pay off a bonded indebtedness is to set aside each year from earnings either a proportionate part of the amount of the debt for the number of years the bonds have to run, or such a sum as will, with accumulated interest, amount in the given number of years to the amount of the bonds.

In other cases, the sum set aside each year would be immediately invested. The rate of interest on the investments in the second case would be that necessary to accomplish the purpose of the fund, and the interest would be credited to Sinking Fund account. The interest on the investment in the first case would be credited to a revenue account, and the interest on the bonds charged to a revenue expense account.

Dividends. — The profits and losses of a corporation are found through the trading and profit and loss accounts, the same as in any other business, and the net profits are carried to the Surplus account. The division of profits among stockholders is made by means of dividends, which are declared at fixed percentages, such as $1\frac{1}{2}\%$, 3% , 6% , etc., on the outstanding stock. Dividends are payable only to stockholders of record at the time the stock books are closed, or at specified dates, excepting in cases of a few stocks which have coupons attached to the certificates, when the dividends are paid on presentation of the coupons.

Separate accounts are usually kept for different classes of dividends, when there is more than one kind of stock, as Preferred Dividend account, Common Dividend account, etc.

Surplus. — The term "surplus" usually applies to a portion of the profits withheld from distribution, either for the purpose of establishing a permanent addition to the capital of

the corporation, or for such other purposes as the board of directors may designate. In practice, as above stated, the net profits are carried to Surplus account, and after the dividends have been charged to it, the balance is the actual surplus for the period. The surplus frequently serves to enable business corporations to maintain their dividends at regular rates during periods of depression.

Directors. — The affairs of a corporation are managed by a board of directors. In a few states, the directors for the first year are named in the certificate of incorporation. In other states they are elected by the stockholders at their first meeting. The number of directors of a corporation is either specified in the charter application or is fixed by the by-laws. The minimum number allowed by law is usually three.

In the larger corporations, where the board of directors is generally composed of a considerable number of members, the powers of the board are given during the interim between board meetings, to an executive committee, which must be composed of members of the board, and that committee becomes the real managing body of the corporation. In addition to an executive committee, a finance committee is often appointed to supervise the financial affairs of the company.

Officers. — The officers of a corporation are usually president, secretary, and treasurer, who are elected by the board of directors. There may be one or more vice-presidents, and other similar officers, and sometimes two offices may be held by one person.

The President. — In most corporations the president is the chief executive officer. In the very large corporations, some of the duties usually performed by the president are assumed by the chairman of the board of directors. Generally the president presides over the meetings of the board of directors, and if authorized to do so by the by-laws, also over the meetings of the stockholders. He can bind the corporation in most routine matters, and usually affixes the corporate signature to instruments requiring such signature. Other matters of unusual importance or outside of the regular routine must be specially authorized by the board to bind the corporation.

The president is usually required to exercise a general supervision over all the corporate business, and when necessary or required, make reports to the board of directors and to the stockholders of the condition of the affairs of the corporations. He is generally required, with the secretary or treasurer of industrial corporations, and with the secretary or treasurer of financial corporations, to sign the certificates of stock. The president must be a member of the board of directors, and as a director, he must be a stockholder in the corporation.

The Secretary. — The duties of the secretary of a corporation are, among other things, to keep a record of the proceedings of the stockholders and directors, and such other records as do not pertain to the work of the treasurer. The secretary is usually custodian of the corporate seal. He need not be either a member of the board of directors or a stockholder in the corporation, although he is sometimes both of these. He is usually required to take an oath of office, binding himself to the faithful performance of his duties.

The Treasurer is the financial officer of the corporation. His duties vary in different concerns. In the smaller corporations, besides having custody of the funds and securities of the company, he has direct supervision of the accounts, and keeps the general or business books. In the larger corporations, the accounting is under the direction of a controller or an auditor, and the purely financial operations are in charge of the treasurer and his assistants. The treasurer is responsible to the board of directors, or to the finance committee

STOCK CERTIFICATE BOOK

Certificate
No. 427
For 100 Shares
Issued to
Geo. H. Helvey
Dated June 2, 1891
From whom transferred
Dated
Subsequent *Original* *And Shares*
Certificate *States* *Transferred*
Received of Helvey
for 100 Shares
this 20 day of June 1891
Geo. H. Helvey



when such a committee exists. He need not be either a stockholder or a member of the board of directors, although he may be either or both of these. He is usually required to give a bond; and in some states must give a bond in such amount as the by-laws shall fix and determine.

Books of a Corporation. — There is no system of bookkeeping peculiar to a corporation. The business transactions of a corporation do not differ in form from those of a partnership or of an individual proprietor. The volume of business is usually greater than that done by an individual, but this affects only the number, and not the kind nor necessarily the form of the books used. Each corporation, excepting where the form of its accounts is regulated by law, keeps its books, like all other concerns, in accordance with its own methods and the general principles of accounts. A few of the accounts of a corporation will differ from those of a private concern, and the form of its statements may also be different, but otherwise the general records are practically the same in both cases.

Corporate Books. — The only books which are peculiar to a corporation are those which show the operations connected with the corporate form of the concern, and contain a record of the corporate proceedings, and of the issuance and transfer of its stock.

The special books of a corporation are the minute book, subscription book, stock certificate book, stock ledger, stock transfer book, and dividend book.

The **minute book** contains a record of the proceedings of the stockholders and of the board of directors. Sometimes separate minute books are kept for the proceedings of the stockholders and those of the board of directors. All entries in the minute book should be made by the secretary, and the book retained in his custody. The usual form of a minute book is that of an ordinary "record" book, the pages of which are ruled like a sheet of legal cap paper.

The **subscription book** contains a list of the subscribers to the stock, with the number and par value of the shares subscribed for by each. If stock is paid for in installments, a separate space for each installment should be provided in the subscription book, or a separate installment book may be used.

The **stock certificate book** is a book of blank certificates and stubs, and these certificates are issued to the stockholders as soon as their subscriptions are fully paid. (See form, page 262.) The stubs are filled out before the certificates are detached, and from them is made up the credit side of the stock ledger, in which each stockholder receives credit for the number of shares held by him.

On the back of each certificate is a blank bill of sale or form of assignment, by which a stockholder may transfer his stock to any other person.

When a certificate is surrendered, it is stamped "canceled," and pasted on to its own stub in the stock certificate book.

The **transfer book** is a book of printed forms and blanks to be filled in whenever a stockholder sells his stock, or any part of it, to another person. A stock certificate, when signed by the seller or his attorney, authorizes the transfer of a certain number of shares of stock from the account of the seller to the account of some other person named in the certificate. The transfer book serves as a journal to the stock ledger, and from it are made all entries after the original stock issue of the business has been entered in the stock ledger.

STOCK TRANSFER BOOK

| | | | | |
|--|----------------------|--|---|--|
| Numbers of
Certificates
Canceled | Shares
Canceled | Ledger
Folio | TRANSFERRED BY
For Value Received, <u>100</u> do hereby assign and transfer to | |
| 100 of 100 shares of Capital Stock of
The Central National Bank of Pittsburgh, Pa. | | | J. C. Jones | |
| Numbers of
New Certificates
Issued | New Shares
Issued | TO
100 of 100 shares of Capital Stock of
The Central National Bank of Pittsburgh, Pa. | | |
| 100 of 100 shares of Capital Stock of
The Central National Bank of Pittsburgh, Pa. | | | Two hundred Shares of the Capital Stock of
The Central National Bank of Pittsburgh, Pa. | |
| Witness <u>J. C. Jones</u> hand and seal, this <u>10</u> day of <u>June</u> , 189 <u>7</u> | | | Scaled and delivered in the presence of | |
| <u>J. C. Jones</u> | | | <u>Chas. Jewell</u> (C.S.) | |
| <u>J. C. Jones</u> | | | <u>J. C. Jones</u> (C.S.) | |

The **stock ledger** is auxiliary to the general ledger, and its credit balance should always agree with the Capital Stock balance in the general ledger. The stock ledger contains the name of every person holding stock of the company, either by original issue or by transfer. It is made up originally from the stubs of the stock certificate book, and as the stock is issued, each holder is credited in the stock ledger with the par value of the stock. After the opening entries, all entries in the stock ledger should be made from the stub of the transfer book. These entries always consist of a debit to a seller of stock whose name is already in the stock ledger, and a credit of an equal amount to the buyer, whose name must be entered in the stock ledger.

The **dividend book** contains the names of all persons who have open accounts in the stock ledger, and opposite the name of each person is recorded the amount due him when a dividend is declared. This book may contain a space for the signature of each stockholder

acknowledging the receipt of his dividend, but in the larger corporations these dividends are generally paid by voucher checks which are in themselves receipts.

The following forms illustrate the dividend book and the dividend check.

DIVIDEND BOOK

5th Semi-Annual Dividend, July 1, 1911. 6%

| NAME OF STOCKHOLDER | ADDRESS | NO. OF SHARES | AMOUNT OF DIVIDEND | WE HEREBY ACKNOWLEDGE RECEIPT OF ACCOMPANYING DIVIDEND |
|-------------------------|-----------------------|---------------|--------------------|--|
| <i>Geo. H. Henry</i> | <i>Buffalo, N. Y.</i> | <i>100</i> | <i>600</i> | <i>Geo. H. Henry</i> |
| <i>C. M. Hunt</i> | <i>" "</i> | <i>50</i> | <i>300</i> | <i>C. M. Hunt</i> |
| <i>A. L. McMillan</i> | <i>New York,</i> | <i>400</i> | <i>2400</i> | <i>A. L. McMillan</i> |
| <i>Thos. J. Collins</i> | <i>Troy, N. Y.</i> | <i>200</i> | <i>1200</i> | <i>Thos. J. Collins</i> |
| <i>L. C. Collins</i> | <i>Albany, N. Y.</i> | <i>100</i> | <i>600</i> | <i>L. C. Collins</i> |
| <i>W. H. Johnson</i> | <i>" "</i> | <i>200</i> | <i>1200</i> | <i>W. H. Johnson</i> |

DIVIDEND CHECK

| | | | |
|----------------------|---|----------------|----------------|
| DIVIDEND NO. 8. | Merchants National Bank | | No. <i>234</i> |
| | | | |
| | PAY TO THE ORDER OF <i>Buffalo, N. Y. July 1, 1911.</i> | | |
| | <i>Geo. H. Henry</i> \$600. | | |
| <i>Six Hundred</i> | | <i>Dollars</i> | |
| <i>L. C. Collins</i> | | <i>Cashier</i> | |

Transfer Agents. — Among the larger corporations it is customary to appoint transfer agents who attend to the issue and the transfer of stock, and who should have charge of the stock certificate book, the stock ledger, and the transfer book, which relieves the secretary of a great deal of labor and responsibility.

Special Corporate Accounts. — A few accounts are peculiar to corporations, such as Capital Stock account, Treasury Stock account, Subscription account, Donation account, Surplus account, Dividend account, etc., and these take the place of capital and reserve accounts in proprietary or partnership businesses.

Good Will.—The business activity of private concerns is dependent upon the voluntary patronage of the public, and to the extent that this patronage is secured, it affects the growth or stability, or both, of the business of that concern. When a business has secured a patronage which is likely to continue, even though the ownership or location of the business, or both, should change, it constitutes a valuable asset to that business. This is called "good will." In the sale and taking over of a going business, the value of its good will is always a matter of agreement between the parties concerned, and is carried as an asset on the books of the new concern at cost, until some adjustment of it has been made. Some concerns charge off at intervals a portion of the cost of good will, until the whole amount has been absorbed through the profits, while others carry it as a permanent asset. The former is regarded the better practice, especially for corporations.

PROPOSITIONS

The following propositions are given for the purpose of illustrating the opening and closing of corporation books, and the entries to be made when dividends are declared.

1. James Brown, William Harper, Charles Edwards, Maurice Chaney, and William Upton have formed the American Motor-Truck Company with a capital stock of \$100000, of which Brown, Harper, and Edwards have subscribed \$30000 each, and Chaney and Upton, \$5000 each. The minute book will show the proceedings of such meetings as have been held, and as soon as all the stock is subscribed for, the following journal entry should be framed:

| | | |
|----------------|----------|----------|
| Subscription, | \$100000 | |
| Capital Stock, | | \$100000 |

This entry should be posted to the general ledger.

Suppose the stock subscriptions are to be paid in two installments, one due January 1, and the other February 1. When the first of these installments is paid, the cash book of the corporation should contain a debit entry of \$50000, and Subscription should be credited for this amount. When this entry has been posted to the general ledger, it will cancel half the Subscription account. When the second installment is paid, a similar entry should be framed in the cash book; and when this entry has been posted, it will balance the Subscription account.

The stock will now be issued, and from the stub of the stock certificate book each of the subscribers should be credited in the stock ledger with the amount of the stock issued to him.

2. A corporation is formed to acquire the patent rights of an envelope sealing machine invented by William Waugh, and to manufacture and sell the same. The authorized capital stock is \$50000, and the par value of the shares is \$10 per share. Waugh is to receive 2500 shares of the stock in exchange for his rights in the patent. A subscribes for 1000 shares, B, 1000 shares, and C, 500 shares, which subscriptions are to be paid in cash. The opening entry in the journal of the corporation would be:

| | | |
|----------------|---------|---------|
| Subscription, | \$25000 | |
| Patent Rights, | \$25000 | |
| Capital Stock, | | \$50000 |

When the subscriptions are paid, an entry would be made in the cash book, crediting Subscription, \$25000, which, when posted, would balance the Subscription account.

Suppose later Warren should donate 1000 shares of the stock to the company, which, it is estimated, can be sold for \$6000, to provide additional working capital when needed, and this stock is placed in the treasury. There are two ways of treating a transaction of this kind. The first is to frame a journal entry:

| | | |
|-----------------|--------|--------|
| Treasury Stock, | \$6000 | |
| Donation, | | \$6000 |

When this stock is sold, Treasury Stock is credited for \$6000 in the cash book, and a journal entry is framed debiting Donation account and crediting Surplus account for the amount received from the sale of the treasury stock.

A second and better way is to credit the account for which the stock was first issued, which in this case is Patent Rights, and the entry would be:

| | | |
|-----------------|--------|--------|
| Treasury Stock, | \$6000 | |
| Patent Rights, | | \$6000 |

This would reduce the cost of the patent rights to the company by the amount of the estimated value of the stock donated.

If the stock were sold for more or less than its estimated value, the actual amount received would be credited to Treasury Stock in the cash book, and a journal entry would be framed to adjust the difference. If sold for, say, \$1000 more than its estimated value, the entry would be:

| | | |
|-----------------|--------|--------|
| Treasury Stock, | \$1000 | |
| Patent Rights, | | \$1000 |

If sold for less than its estimated value, the reverse entry would be framed for the amount of the difference.

3. The firm of Warren & Carson have been engaged in the manufacture of furniture, and they transfer their business to the Warren & Carson Manufacturing Company, with a capital stock of \$100000, par value of the shares, \$100; the stock to be divided as follows: W. A. Warren to receive 500 shares, and E. B. Carson 250 shares. C. M. Harris has subscribed for 50 shares; D. J. Jones, 50 shares; D. E. Leavitt, 50 shares; and 100 shares are unissued, to be issued and disposed of for the benefit of the business when so voted by the directors. The assets and liabilities of the firm of Warren & Carson are as follows: *Assets*. — Cash, \$7500; Notes Receivable, \$22000.50; Accounts Receivable, \$41087.50; Merchandise, \$40800; Unfinished Goods, \$24200; Raw Materials, \$38700; Real Estate, \$20000; Total Assets, \$204878. *Liabilities*. — Notes Payable, \$40005.50; Accounts Payable, \$72012.50; Mortgages Payable, \$15000; Total Liabilities, \$134878. Warren's net worth, \$40004.75; Carson's net worth, \$23035.25.

If it is desired to open a new set of books, as is generally the case when a new corporation is formed, it is customary first to close the old books, which should be done by framing a journal entry, debiting the Warren & Carson Furniture Company for the total amount of the assets, and crediting each asset account for its respective amount. Posting this entry will balance the asset account. Then a journal entry should be framed, debiting the liability accounts for their respective amounts, and the separate accounts of the partners for their respective amounts, and crediting the Warren & Carson Furniture Company for the total. Posting this entry will close all liability accounts, the partners' accounts, and also balance the Warren & Carson Furniture Company account, and close the books of the old business.

One journal entry could be framed instead of two, debiting the assets and crediting the

liabilities and the partners. This would avoid the necessity of constructing an account on the old books with the Warren & Carson Furniture Company.

To open the corporation books, the amount of the subscribed capital stock, \$90000, must appear on the credit side of the general ledger, the amount of the assets of the old business must appear as debit balances, and the liabilities as credit balances. The names of Warren and Carson must not appear in the general ledger of the corporation, as their worth at closing has been absorbed by the capital stock. A journal entry should be framed for the above as follows :

| | | |
|----------------------|----------|----------------------------|
| Cash, | \$ 7500. | |
| Notes Receivable, | 22690.50 | |
| Accounts Receivable, | 41087.50 | |
| Merchandise, | 49800. | |
| Unfinished Goods, | 24200. | |
| Raw Materials, | 38700. | |
| Real Estate, | 20000. | |
| Good Will, | 5000. | |
| Subscription, | 15000. | |
| | | Notes Payable, \$46965.50 |
| | | Accounts Payable, 72912.50 |
| | | Mortgages Payable, 15000. |
| | | Capital Stock, 90000. |

Referring to the statement of assets and liabilities of Warren & Carson, it will be seen that the actual difference between the assets and liabilities of that firm is \$70000. For this amount, E. A. Warren has received \$50000 of the capital stock in the new corporation, and E. B. Carson, \$25000, a total of \$75000, or \$5000 more than the actual difference between the assets and liabilities of the firm. This difference represents the agreed value of the good will of the old business, and thus Good Will should be debited for \$5000, since it costs the new business that much, and is regarded an asset. The remaining \$15000 of the \$90000 capital stock issued is balanced by the debit of Subscription, \$15000. When this journal entry has been posted to the general ledger of the new books, the books of the corporation are correctly opened. Warren should receive stock certificates of the par value of \$50000, and Carson stock certificates of the par value of \$25000.

When the subscriptions of the new stockholders, Harris, Jones, and Leavitt, are paid, an entry in the cash book crediting Subscription for \$15000 would be made, and stock issued to Harris, Jones, and Leavitt, to the par value of \$5000 each, making a total of \$90000, which is the amount of the stock subscribed and issued, and also the amount of the paid-up capital of the company. The stock issued would appear on the credit side of the stock ledger under the accounts of the respective stockholders. The cash item in the journal would be checked, since the amount appears in the cash book.

In the proposition just advanced and explained, let us suppose that the corporation does not care to go to the expense of purchasing new books, but desires to make such entries as will continue the books of the partnership as corporation books. Examining the above journal entry, it will be seen that the accounts showing the assets and liabilities of the old business are not changed after they have been closed in the books of the partnership and transferred to the books of the corporation. Therefore no entries for these accounts are necessary, as they will have the same balances in either form of business.

For the entry to books from the partnership form to the corporate form, the following journal entry is framed:

| | | |
|---------------|------------|----------|
| W. A. Warren, | \$46664.75 | |
| E. B. Carson, | 23335.25 | |
| Good Will, | 5000 | |
| Subscription, | 15000 | |
| Capital Stock | | \$90000. |

When this entry has been posted to the general ledger, the books of the old business are correctly opened as corporation books.

The stock ledger, of course, will be opened exactly as in the first proposition, since the conditions are not changed. The capital stock is made up of the surplus of assets over liabilities (which is shown by the net worth of W. A. Warren and E. B. Carson), of good will, \$5000; of subscription, \$15000. The above journal entry when posted will balance the personal accounts of Warren and Carson, and also show the amount of subscription due and the value of the good will, while Warren and Carson will receive credit on the stock ledger for \$75000 worth of capital stock, leaving the remaining \$15000 to be credited to the proper persons when the subscriptions are paid.

4. The balance sheet of the Waugh Envelope Sealing Machine Company, capital stock \$50000, for the year ending December 31, 1901, showed net earnings for the current period of \$18375.84, which amount was carried to Surplus account. The directors on January 10 declared a semiannual dividend of 3% on the capital stock, the stock books to close January 15 and reopen February 1. The entry for the declared dividend would be:

| | | |
|-----------|---------|---------|
| Surplus, | \$15000 | |
| Dividend, | | \$15000 |

When the dividend is paid, the Dividend account would be debited in the cash book, which would balance the Dividend account for the period.

5. The balance sheet of the Harper Shoe Company for December 31, 1901, shows that the liabilities exceed the assets by \$13250. At a meeting of the stockholders, it was decided, in view of the prospects of the company, to meet the deficiency by a voluntary assessment. When the books are closed as of December 31, 1901, an Impairment account should be constructed to represent the deficit. The entry which would be framed to close the Profit and Loss account would be:

| | | |
|------------------|---------|---------|
| Impairment, | \$13250 | |
| Profit and Loss, | | \$13250 |

When the assessment is levied, each stockholder should be charged with his proportionate share in the stock ledger, and a journal entry should be framed, debiting Assessment and crediting Impairment for the amount of the assessment. When this entry has been posted, the Impairment account will balance, and when the assessment has all been paid, and the proper entry framed and posted, Assessment account will balance.

EXERCISES

The entries for the following exercises, with proper explanations, are to be framed on loose paper. No posting is required.

1. A, B, and C have organized a corporation for the purpose of building and operating an electric light plant, and of selling current to the public. The authorized capital stock is

\$2000000, par value of the shares \$100. A subscribed for 500 shares, B, 300 shares, and C, 200 shares. Other subscriptions aggregated 7000 shares. The subscriptions were all paid in cash, and later 1000 additional shares were subscribed for and paid in cash.

Frame proper entries for the above transactions, and state the amount of stock remaining unissued.

2. To raise working capital, the stockholders of the Oro Mining Company donated 10000 shares of the stock of the company to the treasury. The par value of the stock is \$5, and it was estimated that it would sell for an average of \$2.50 per share. The treasurer reported that he had sold 1000 shares at \$3, 2500 at \$2.75, 5000 at \$2.50, 1000 at \$2.25, and 500 at \$2.

Frame proper entries for the above transactions, using the first method explained in proposition 2, page 266.

3. A corporation is formed with an authorized capital of \$200000, par value of the shares \$100, to take over a manufacturing business conducted by A and B as a partnership. The assets are to be taken at their book values, and the partners are to guarantee the full payment of all outstanding notes receivable and accounts receivable. Each partner is to receive \$75000 in stock for his interest in the old business, and \$50000 of stock is to be offered for subscription at par, to provide additional working capital.

The balance sheet of the old business shows the following assets and liabilities: *Assets*.—Cash, \$10375.25; Accounts Receivable, \$34216.81; Notes Receivable, \$18642.34; Finished Products, \$24211.06; Goods in Process, \$13687.25; Materials, \$15134.52; Machinery and Equipment, \$35017; Furniture and Fixtures, \$1252; Office Supplies, \$875.50; Shipping Supplies, \$217.75; Insurance on Goods, \$112.25. *Liabilities*.—Notes Payable, \$15875.25; Accounts Payable, \$13767.38. A's capital, \$62500; B's capital, \$62500.

Assuming that a new set of books is to be opened, and that C has subscribed for 200 shares, and D 300 shares, frame the journal entry that should be made on the corporation books when the old business is taken over. Frame the entry that should be made when the subscriptions are paid, and state in what other books records would be made for the transactions.

4. The balance sheet of the Consolidated Electric Manufacturers Company for Dec. 31, 19—, showed the following assets and liabilities, exclusive of surplus or deficit: *Assets*.—Cost of properties, including trade marks, patent rights, real estate, building and machinery, \$16359861.95; Investments in affiliated companies, \$575000; Deferred charges to operations: insurance, interest and other periodical expenses, \$143146.89. *Current assets*.—Inventories of raw material, manufactured products, and supplies on hand, \$4077973.79; Accounts Receivable, \$1802705.86, less reserve for discounts, \$50000. Notes Receivable, \$128680.01; Cash on hand and in banks, \$572680.22. *Current liabilities*.—Notes Payable, \$2661563; Loans, \$372176.64; Accounts Payable, \$158544.33. Capital stock authorized and issued—Preferred shares, \$100 each, \$5000000; Common shares, \$100 each, \$15000000.

From the above data prepare a balance sheet, including surplus or deficit, and arrange the assets and liabilities in the order of fixed and floating, with the quickest or most liquid asset last.

If the balance sheet shows a surplus, assume that a dividend of $1\frac{3}{4}\%$ was declared on the preferred stock for the period by the directors, and frame the entry that should be made for such declaration.

5. Assume that the balance sheet of the above corporation showed a deficit for the period ending June 30, 19—, of \$75162.19, and that there was no previous surplus, and that no assessment had been levied. State first, what the net earnings for the current period, avail-

able for dividends, must have been in order to wipe out the deficit and show the surplus as disclosed by the balance sheet. Second, frame the entry that would be made as of December 31, 19—, which would balance the account which represented the deficit, and create an account which would represent the surplus shown by the balance sheet.

QUESTIONS

1. What is a corporation?
2. Of what is a corporation composed, and how does it differ from a partnership?
3. How many general classes of corporations are there? State what they are, and describe each class.
4. What advantages and disadvantages do individual and partnership forms of business organization possess over the corporate form?
5. Define a trust; a holding company.
6. What is meant by government supervision, and how is it exercised?
7. How are corporations created?
8. How are corporations formed? Explain in detail how a corporation may be formed in your state.
9. Explain the difference between a "domestic corporation" and a "foreign corporation."
10. How is the capital stock of a corporation represented? Explain the different phases of this representation. What is treasury stock? How is it treated on the books?
11. What is a bond, as the term applies to corporation securities? Describe the different kinds of bonds, and state how bonds differ from stocks.
12. How are the profits and losses of corporations found? How are the net profits distributed?
13. What is meant by "surplus"? What purpose does it frequently serve?
14. By whom are corporations managed? Explain how their authority is obtained.
15. What are the usual officers of a corporation? The additional officers?
16. What are the duties of the secretary? How is he sometimes relieved of a part of his duties?
17. What relation does the treasurer sustain to the corporation? Explain his duties (1) in small corporations, and (2) in large corporations.
18. Is there a system of bookkeeping peculiar to corporations? Give a reason for your answer.
19. What books are peculiar to corporations, and for what purposes are they used?
20. What accounts are peculiar to corporations, and what accounts do they take the place of in proprietary and partnership businesses?
21. What is meant by "good will," and how is its value determined? How is it treated on the books? How may it be disposed of on the books?
22. When a going business is transferred to a corporation, what are the names of some of the new accounts which will be constructed?
23. Explain the steps to be taken, and the entries to be made, when a going business is transferred to a corporation, and a new set of books is opened.
24. What entries, when the old books are continued?
25. What entries would be made when stock is donated to the company and afterwards sold for cash? Explain both methods.

MANUFACTURING

Manufacturing is the converting of materials into finished products. All materials in their natural or raw state are the products of nature, and when used for manufacturing purposes are called "raw materials." Converted materials are called "manufactured products," or "finished goods." Things which are called finished goods in some industries are classed as raw materials in others.

Production. — Production is of two kinds, natural and industrial. Originally, industrial production, or manufacturing, was done almost entirely by handicraft, but now machinery has largely supplanted hand work in many of the operations. The substitution of mechanical for human forces in manufacturing results generally in saving of labor, increase of output, reduction in cost, and improvement in products.

Disposition of Products. — Some manufacturers dispose of their products through jobbers, commission merchants, or manufacturers' agents, while others maintain regular sales departments, through which their products are distributed to the wholesale trade. Concerns of the latter kind are both manufacturers and wholesalers. Still other manufacturers dispose of their products direct to the consumers, through the medium of retail stores, established and conducted as a part of their business. This class of concerns are both manufacturers and retailers.

The Factory System. — In the early stages of industrial production, manufacturing was carried on by the individual, working independently, or by the family working as a unit. Since the invention of machinery, and especially of the steam engine, which enlarged the field of machine operation, the old systems have been practically superseded by the "factory system," which combines the forces of labor, machinery, and administration into definite and effective units. The factory system is a universal method of industrial production, which can be applied to practically all kinds of manufacturing.

Factory Organization. — The purpose of organization is to increase the effectiveness of action. It enables a number of persons to operate more effectively as a concrete unit than they could as independent units. It permits of division of labor, which, in industrial operations, results in increase of skill and of productivity. Division of labor also results in specializing, or the concentration of thought and effort on a particular thing, thereby greatly increasing the efficiency of the operator.

The modern factory is a model of industrial organization. It is thoroughly departmentalized, and every department is so operated as to contribute its due share to the purpose of the factory, and to the success of the business, and results in greater efficiency, increased output, and lower costs.

Factory Efficiency. — Efficiency, as applied to manufacturing, is based on a comparison between the quantity and quality of output, and the time, labor, and money expended upon it; or results compared with costs. Efficiency is obtained by saving in labor, the result of

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the use of machinery; by saving in time, the result of the division of labor; by proper organization and supervision; and by other improved factory methods.

The efficiency of the human agencies, or workmen, is dependent generally upon their intelligence, ability, and skill, and that of the mechanical agencies is dependent generally upon their usefulness, construction, power applied, upkeep, and the proper service of the operatives. Efficiency is also dependent upon factory conditions, as light, air, space, etc.

Manufacturing Activities.—The activities of a manufacturer comprise: the purchase and use of materials, machinery, and supplies; the application of, and payment for, light, heat, and power; of labor, and the supervision of the same; and the distribution of the finished products. For these activities, and the expenditures connected with them, careful and systematic records are kept. A record of the quantities of materials purchased and used, received and delivered, is called "stock keeping," and a record of the costs for producing the finished products is called "cost keeping."

Manufacturing Records.—The records of a manufacturing business relate both to the production of the commodities and to the distribution of the same, and therefore are more comprehensive than are the records of any of the other kinds of business heretofore treated in this book. Some manufacturing concerns that are also wholesaling concerns keep one set of books, or records, for their manufacturing activities, and another set for their distributing or selling and general activities, while others combine the records of all classes of activities in one set. When two sets of records are kept, the manufacturing records are usually subsidiary to the other records, or regular business books.

Manufacturing Accounts.—The distinctive account in a manufacturing business is the Manufacturing account, which shows on its debit side the cost of materials, the productive labor cost, and the manufacturing expenses, and on its credit side the productive cost or the market price of the finished products. This account is represented by its subsidiary accounts, Materials, Labor, and Manufacturing Expenses, or the subdivisions of the latter account, as Indirect Labor account, Rent account, etc.

Other accounts peculiar to a manufacturing business are Machinery and Tools, Repairs and Renewals, Patterns, Patent Rights, Pay Roll, Finished Products, Depreciation, and such other accounts, real or nominal, as the nature of the business may require.

Classifying Expenses.—The expenses of a manufacturing business may be classified under three heads, manufacturing expenses, selling expenses, and general and administrative expenses, and by constructing accounts to represent these three classes of expenses much time, as well as much space in the general ledger can be saved. The trial balance and the profit and loss statement are simplified by this classification, and can be more easily and quickly made than when numerous nominal accounts are kept.

Analysis Book.—When the expenses are classified, as explained above, an analysis book is kept. This book contains a summary by months, of the expenses, classified in detail, and is compiled from analysis sheets, which are made up from the original records. In this way any desired information regarding the expenses of the business can be readily obtained.

Purchases. When materials are required in a manufacturing business, this is indicated by the receipt of a "purchase requisition" from the superintendent of the factory, or of a "stock report" from the stock keeper. An order called a "purchase order" is then sent to the producer of, or dealer in, the materials wanted, and a copy of the order is sent to the accounting department to be filed until the invoice of goods is received, when it is compared

with the invoice after it has been O. K'd by the bookkeeper from the stock clerk's report of goods received. The invoice is then recorded, and both purchase order and invoice are filed either separately or together. A copy of the purchase order is also usually sent to the stock department for a record of "stock ordered." (See forms of purchase order and duplicate below.)

PURCHASE ORDER BLANK

| | |
|---------------|--|
| B81056 | This Letter and Number
must appear on
your invoice |
|---------------|--|

ORDERCentre and
Buckford Sts., Boston,

1911

TERMS:

To M

| Send us | | PRICE | PAY NO ATTENTION
TO THESE COLUMNS | |
|---------|----------|-------|--------------------------------------|---------|
| | QUANTITY | | CLASS | DEL. Y. |
| (1) | | | | |
| (2) | | | | |
| (3) | | | | |
| (4) | | | | |
| (5) | | | | |
| (6) | | | | |
| (7) | | | | |

| |
|---|
| MAIL INVOICE SAME DAY
GOODS ARE SHIPPED. |
|---|

(over)

THOMAS G. PLANT COMPANY.

BY

PURCHASING AGENT.

Form 254731-1-11

If there are any inquiries about the above call for **Reb** PER

DUPLICATE PURCHASE ORDER BLANK

Date

1911

TERMS:

N^o 81056

| Name | | Ship | | PRICE | INVOICES RECEIVED
DATES | |
|------|--|------|--|-------|----------------------------|---------------|
| | | | | | DEPT.
CLASSIFICATION | DELIVER
TO |
| | | | | | | 1 |
| | | | | | | 2 |
| | | | | | | 3 |
| | | | | | | 4 |
| | | | | | | 5 |
| | | | | | | 6 |
| | | | | | | 7 |

| | | |
|-----------------------------------|--|---|
| (DUPLICATE OF ORDER.)
Form 255 | Ack'd _____
Accepted _____
Will ship _____ | Returned _____
For Bill _____
Delivered _____ |
|-----------------------------------|--|---|

Record of Invoices.—In a merchandising business, invoices are charged to Purchases account, or to the department for which the goods were bought. In a manufacturing business, invoices are dissected and the items distributed to various accounts representing the purchases for which the transactions were made, as materials, machinery, tools, supplies, etc. In like manner, the bills for the expenditures are dissected, and the items distributed

to obtain a systematic record. To make this system of records complete, and have it cover all purchases of merchandise and expense, it is necessary to have a voucher for every purchase and expenditure, and to make a systematic and comprehensive record of the same; and this is the proper basis for the voucher system of accounting.

The Voucher System.—During recent years, there has been a great advance in the systematic accounting, and in the proper distribution of the various items of expenditure, and this is shown in its highest stage of development in the voucher system. This system requires a voucher for every transaction, or for every entry on the principal books, and the use of a "voucher jacket" and a "voucher register."

The Voucher Jacket.—A voucher jacket, as its name indicates, is a jacket or cover for the voucher, which may be either an invoice or an expense bill. The face of the jacket is in the form of an invoice blank, with the form of a receipt blank below. It provides for the number of the jacket, name of the creditor, date, particulars, and amount of invoice, signatures of bookkeeper and manager, and for the acknowledgment of payment. Several vouchers from the same creditor or several expense bills may be included in one jacket. (See form, page 275.) The back contains a form for a brief record of the voucher, and the proper distribution of the same, which includes the number of the voucher, name of creditor, amount of voucher, when paid, check number, and accounts to be charged.

After the proper records have been made, both on the voucher jacket and in the books, the voucher is attached to the jacket, which is then folded with the back out, record side up, and filed under "Unpaid Jackets." When payment of the voucher is made, the proper record is made in the voucher record and on the back of the jacket, which is then sent with the remittance, to be receipted and returned. When the jacket is returned, it is again used, with the original voucher securely attached to it, under "Paid Jackets."

In some voucher systems the voucher jacket is not sent out with the remittance, and hence does not contain receipt blank.

Many business houses periodically receive from the first to the tenth of the month, those received from the tenth to the twentieth, and those received from the twentieth to the end of month on the first of the following month, and regard these as cash payments; and their creditors, having no objection to this method of payments, generally do not object to receiving such payments and allowing cash discounts.

VOUCHER CHECK

| | |
|---|---------------------|
| No. 275 | Date, 1919 |
| Voucher No. | |
| Commercial Bank | |
| Pay to the order of <i>College Camera</i> | \$ <i>50.00</i> |
| <i>Five hundred and no/100</i> | Dollars |
| IN FULL PAYMENT OF VOUCHER NO. 274 | |
| <i>College Camera</i> | <i>By Stationer</i> |

VOUCHER JACKET

No. 2678

ST. LOUIS, Mo., Dec. 1, 1912.

Gould & Lincoln
Chicago, Ill.

In account with THE DARLINGTON SHOE CO.

| | | | | |
|--------|---------|------|------|----|
| Nov. 1 | Invoice | net | 275 | 85 |
| 20 | " | 2/10 | 345 | 85 |
| 30 | " | 2/10 | 400 | |
| | | | 745 | 85 |
| | | 2% | 14 | 92 |
| | | | 730 | 93 |
| | | | 1006 | 78 |

CORRECT:

APPROVED:

*A. C. Miner**George Lacy*

BOOKKEEPER.

MANAGER.

\$1006 ⁷⁸/₁₀₀

Chicago, Ill., 1912

Received of THE DARLINGTON SHOE CO.

Ten hundred six and ⁷⁸/₁₀₀ DOLLARS

IN FULL FOR ABOVE ACCOUNT

(Please receipt and return promptly.)

BACK OF VOUCHER JACKET

Recorded in the month of Nov. 1912.
No. 2678 Amount \$1021 ⁷⁸/₁₀₀

Receipt of

Gould & Lincoln

Paid Dec. 1, 1912

Check No. 242

DISBURSMENT

| | | | |
|----------------------|-----|----|--|
| STANDARD: | | | |
| Tools | 275 | 85 | |
| Machinery and Equip. | 745 | 85 | |

MATERIALS:

FREIGHT INWARD:

DIRECT LABOR:

MANUFACTURING EXPENSES:

FACTORY SUPPLIES:

INDIRECT LABOR:

Selling EXPENSES:

GEN. AND ADMIN. EXPENSES:

VOUCHER

DISTRIBUTION OF VOUCHER JACKETS

| No. | Voucher No. | Particulars | Date | Amount | Debit | Credit | Total |
|------|-------------|-----------------------|-------------------------|---------|-------|--------|--------|
| | | | | | | | |
| 2819 | 1 | R. T. Prince | G/A Sal. 75 | 2152 65 | | | |
| 2820 | 3 | L. B. Stone | Inv. 12/1 (off. supp.) | 25 15 | | | |
| 2821 | 5 | A. H. Henry | Nov. S. 200 Exp. 130 52 | 339 52 | | | |
| 2822 | 12 | Brant Mtg. Co. | Inv. 12/12 | 104 50 | | | |
| 2823 | 10 | Union Leather Co. | " 12/14 | 562 16 | | | |
| 2824 | 21 | Munn & Son | " 12/20 | 13 65 | | | |
| 2825 | 25 | Cox Casting Co. | Bill 12/24 O. F. 18 79 | 67 42 | | | |
| 2826 | 27 | J. T. Lyman | " 12/26 | 118 75 | | | |
| 2827 | 31 | Imprest Fund | Dec. disb. | 80 36 | | | |
| 2828 | 31 | Dodd Leather Co. | Inv. 12/31 | 1362 75 | | | |
| 2829 | 31 | United Shoe Machy Co. | Royalties 12/31 | 327 61 | | | |
| 2830 | 31 | A. H. Henry | Dec. S. 200 Exp. 152 60 | 352 60 | | | |
| | | | | 5556 15 | | | 283 25 |

Payments of vouchers are made by voucher checks, and if a jacket is not returned as requested, the check is a receipt for the payment of the voucher. (See form of voucher check, page 274.) When a voucher is paid, the usual entry is made in the cash book, with the exception that the number of the voucher should be written in the number column, the number of the check being written in the check number column. (See form, page 270.)

Voucher Register.—The voucher register contains a record of all vouchers, and is the distinctive book of the voucher system of accounts. By its use the purchase ledger may be dispensed with; the total amount of Vouchers Payable Credit column, as shown in the register, will show the total credits to be carried to Accounts Payable account, while the total amount of Vouchers Payable Debit column in the cash book will show the debits to be carried to Accounts Payable. Of course the amount of the unpaid items in the Vouchers Payable Credit column should show at any time the amount of vouchers unpaid, which will be the accounts payable of the business, and these can be readily proved by comparing with the unpaid vouchers on file. The voucher register is provided with special columns for the numbers and particulars of the vouchers, and for the distribution of the amounts. As many columns may be provided for distribution purposes as the nature of business, or the classification of the accounts, may require. Accounts for which no special columns are provided are entered under "Sundry Debits." The vouchers are numbered in consecutive order in the special number column. (See form, pages 276 and 277.)

As soon as an invoice or an expense bill has been O.K'd, a voucher jacket is made out and certified by the proper persons, after which the distribution of the amount or items is made to the proper accounts on the back of the jacket, and from this the distribution is made in the voucher register.

Some accountants do not record the voucher jackets until the time arrives for the payment of the vouchers.

When the vouchers for the month have been recorded, the Vouchers Payable Credit column and the special distribution columns are footed, and the columns ruled off. The

REGISTER

MONTH OF December 1911

| PAID | | PRIME COST | | | MANUFACTURING EXPENSES | | | | SELLING | GENERAL |
|--------|----------|------------|----------|-----------|------------------------|--------------------|----------------|---------------|---------------|---------------|
| Date | Ck. No. | Materials | Freight | Labor | Factory Supplies | Tools and Patterns | Indirect Labor | Miscellaneous | Miscellaneous | Miscellaneous |
| Dec. 1 | 1307 | | | 1876 50 | | | 206 15 | | | 70 |
| 3 | 1318 | | | | | | | | | 25 15 |
| 5 | 1324 | | | | | | | | 339 52 | |
| 10 | 1332 | 562 10 | | | | | | | | |
| 21 | 1340 | | | | 13 65 | | | | | |
| 25 | 1356 | | 48 65 | | | | | | 18 77 | |
| 31 | Imp. Fd. | | | | | | | 46 18 | 29 15 | 11 53 |
| | | 1362 75 | | | | | | | | |
| | | | | | | | | 307 01 | | |
| | | | | | | | | | 352 60 | |
| | | \$1924 94 | \$ 48 65 | \$1876 50 | \$ 13 65 | | \$ 206 15 | \$ 353 79 | \$ 740 04 | \$ 106 68 |

total of the footing of the Sundry Debits and distribution columns should agree with the footing of the Vouchers Payable Credit column. The footing of the Vouchers Payable Credit column is posted to the credit of Accounts Payable in the general ledger. The items in the Sundry Debits column and the footings of the various distribution columns, excepting the General column, are posted to their respective accounts in the general ledger. The items in the Miscellaneous columns are analyzed and entered in the Analysis Book. A check mark with the folio of the account written over it should be placed opposite the footing of each posted column to indicate that the amount has been posted.

Cash Book. — The form of cash book used in a manufacturing business is essentially the same as that used in a wholesale business. It usually contains special columns which adapt it to the requirements of the business.

The form of cash book shown on pages 278 and 279 is well adapted to any manufacturing business where the voucher system is used. It provides for a record of the actual receipts and disbursements, and can be easily and quickly audited.

Imprest Fund. — In almost every business it is necessary to have some ready money for various purposes, usually of a petty nature, where it would not be convenient or desirable to issue checks; and where it is the practice to deposit the entire cash receipts daily, this ready money is provided by creating an "imprest fund." A check is drawn for the estimated amount of money that will be required for petty expenses for a given period, and cashed, and the amount is charged to Imprest Fund account through the general cash book.

When it is necessary to replenish the fund, another check is drawn to bring the fund up to the original amount. In making up the balance sheet, the balance of the Imprest Fund account is treated as cash on hand.

Petty Cash Book. — The currency received from the imprest fund, and all disbursements of the same, are entered in the petty cash book, and the entries in this book should be sup-

BOOK

| DATE | IN FAVOR OF | PARTICULARS | DEPT. | CHECK NO. | V. (REC) NO. | V. (BILL) PAYABLE | DEBIT ON PURCHASE | CREDIT DISBURSEMENTS |
|--------|-----------------------|---|-------|-----------|--------------|-------------------|-------------------|----------------------|
| 10— | | | | | | | | |
| Nov. 1 | Imprest Fund | R. T. Prince | | 388 | | | | 100 |
| 1 | Union Leather Co. | inv. 10/2 net | ✓ | 389 | 2749 | 654 30 | | 654 30 |
| 1 | C. B. Thomas Co. | Acct. sale and exp. | ✓ | 390 | 2750 | | | 576 40 |
| 2 | United Shoe M'chy Co. | inv. 10/2 net | ✓ | 391 | 2753 | 431 62 | | 431 62 |
| 3 | Banning Findings Co. | inv. 10/12-2 ⁰⁰ / ₁₀₀ | ✓ | 392 | 2752 | 276 21 | 5 52 | 270 69 |
| 5 | R. B. Johnson & Co. | inv. 10/13-2 ⁰⁰ / ₁₀₀ | ✓ | 393 | 2751 | 1200 | 60 | 1140 |
| 5 | Dodd Leather Co. | inv. 10/28-5 ⁰⁰ / ₁₀₀ | ✓ | 394 | 2754 | 1896 75 | 94 84 | 1801 91 |
| 5 | R. T. Prince | Pay roll | ✓ | 395 | 2755 | | | 3600 50 |
| 5 | Excelsior Thread Co. | inv. 10/3— | ✓ | 396 | 2756 | 64 48 | | 64 48 |
| 6 | Coll. and Exch. | per slip | | | | | | 5 50 |
| | Accounts Payable | Dr. | | | | 4523 36 | | |
| | Discount on Purchases | Cr. | | | | | 160 36 | |
| | | | | | | | | 8645 40 |
| | Balance | in Exchange Bank | | | | | | 16692 35 |
| | | | | | | | | 25337 75 |

receiving department, or from the receiving book or other receiving record, and the credits are made from the requisition slips after the requisitions have been filled by the stock department, or from the stock journal or other record.

The card ledger form of record is admirably adapted for use with any stock keeping system. The illustration on page 278 shows a common form of stock ledger card.

A record should be kept of factory supplies, and, of course, of finished products. The records of these three classes of stock can be readily distinguished by the use of different colored cards.

For storing material or stock so that it can be easily located, and conveniently obtained when wanted, bins are generally used. The bins are arranged in divisions according to departments, and each bin bears a label containing the number of the bin, and the name of the material or stock for which it is used.

Production Methods.—There are two general methods of production in manufacturing, called "the production order method" and "the process method." The production order method is used where the nature of the product is such that accurate records can be kept of each article or lot from the beginning of its manufacture until it becomes a finished product. This method is applicable to a very large list of commodities. The process method is used where it would be impossible or difficult to apply the production order method, as where the workmen's time on each lot cannot be definitely reported.

Cost Keeping.—As applied to manufacturing, cost keeping is a systematic record of every item of cost connected with the production of commodities. The principal objects of these records are: to determine the actual cost of each article or lot of articles manufactured, so as to be able to fix a selling price which will net a desired profit, or to show the profit when the selling price is fixed by competition or other causes; to ascertain the productivity and efficiency of the productive agencies; to serve as a guide in regulating output and

expenditures, *or* by increasing a given profit on a given case of selling efficiency, or by reduction in expenditure.

There are numerous cost-keeping or cost-control systems applicable to the various lines of business, or to different conditions in the same line. Most of these systems are the results of careful study, experiment, and experience. The best cost-keeping system for any particular business is the one which will give the desired information with the least expenditure of time, effort, and money. Cost-keeping may be applied to almost any kind of business, but it is especially valuable in a manufacturing business.

Elements of Cost.—The elements of cost are *prime cost*, which is the combined cost of materials and direct labor; *factory cost*, which is direct factory expense added to the prime cost; *total cost*, which includes factory cost, general expense, and selling expense. The *selling price* combines all of the above elements, and the profit.

The accompanying diagram illustrates the method of building up costs to find a selling price which will net a desired profit, or to find the amount of the profit when the selling price

is fixed by competition or other causes. In the latter case the producer gets as profit, the difference between the total cost of the article and the price at which he is obliged to sell it, while in the former case he gets the profit he desires to have.

The selling price represents the whole, or one hundred per cent, and each of the parts of which it is composed represents such a percentage of the whole as the cost of the part or the ratio of the profit bears to one hundred per cent. If an article which is priced at \$5.40 has in it material which cost \$1.18, and the other costs were \$1.35 for labor, 67.2 cents for burden, and \$1.188 for expense, and the profit was 81 cents, the percentages would be 20, 25, 18, 22, and 15 respectively.

DIAGRAM OF COST-FINDING.

| | |
|-----------------|------------|
| PROFIT
15% | PERCENTAGE |
| EXPENSE
22% | 42% |
| BURDEN
18% | 60% |
| LABOR
25% | 85% |
| MATERIAL
20% | 105% |

Production Order.—The manufacture of goods is authorized by a "production order," which is issued by the office to the factory, and which contains the order number, date of order, description of the articles to be made, the quantity, etc. There are numerous forms of production orders. Those generally used in connection with cost systems are designed to contain, in addition to the information mentioned above, data relating to quantity and cost of material, workmen's time, and cost of operations. Several copies of the production order are usually made, one of which is sent to the cost department.

Material Requisition.—The materials required for the articles called for in the production order are obtained by each of the different factory departments from the stock department by a "material requisition" made out by the foreman. This requisition contains the date, number of the order, name or number of the department, quantity and description of materials required, signature of the foreman, or person who authorized the requisition. After the stock clerk has filled and recorded the requisition, it is sent to the cost department.

Labor Ticket.—The time spent by a workman upon an article or on any part of the work is recorded by him on a labor ticket, or time card, which he turns in to the foreman

when he has finished his work. There are many forms of labor tickets, or time cards, and the form used in any business will depend upon the information required, and the conditions under which the goods are manufactured. A typical labor ticket, or time card, provides for a record of the workman's name, or number, date, article or part, time spent, or quantity made if piece work, rate, amount, and foreman's O. K. The purposes of the labor ticket are to determine the cost of productive labor and the efficiency of the workmen. After the labor tickets have been turned in and recorded, they are sent to the cost department.

Pay Roll. — A record of the total amount of time worked, or of the total number of pieces done by each workman, and the amount of money he has earned is kept in a "time book" or a "piece book." There are numerous forms of pay rolls, and various ways of recording the time of the workmen. In factories where the wages are paid by the day or the week, the time of the workmen is taken either by time keepers or by means of mechanical time recorders. The time keeper records daily in the time book, the time, both morning and afternoon, when each employee enters and leaves the factory. The mechanical time recorder registers automatically on a strip of paper or on a card the "in" and "out" time of each workman, which he has "rung up" by means of a key or lever punch.

The pay roll is made up from the time book, or from the time cards or time slips after they have been removed from the time recorder, and also from the piece book.

Division of Cost. — For cost keeping purposes, cost has been divided into three parts: cost of materials, cost of labor, and indirect expense; also called overhead charges and burden. The cost of materials is found through the material requisitions, and the cost of labor through the labor tickets. The cost extensions on these requisitions and tickets are made by the cost clerks, and a record is made of each article or lot on a "cost record" or on a "cost ledger." The cost record shows the production cost of each article manufactured, and includes the cost of materials, the direct or productive labor cost, and the indirect expense or burden. It is therefore a record of prime cost of production. The cost ledger shows the productive cost, selling cost, and the general and administrative expenses, and is a complete cost record.

Wage Systems. — There are several systems or plans of paying wages, among the most common of which are, the day rate plan and the piece work plan. Others are the preferential, the premium, the bonus, and the profit-sharing plans.

The day rate wage plan consists of paying the workman a certain rate per day or per hour. The piece work plan provides for paying the workman for the exact amount of work done by him, measured by the number of articles or parts he turns out.

The other wage plans are too comprehensive for proper treatment in this book.

Burden. — The indirect factory expense or burden includes the salary of the superintendent, wages of the foremen and other unproductive or indirect labor, cost of factory supplies, rent, light, fuel, and power, insurance, maintenance or upkeep, taxes, depreciation, etc. In other words, burden includes every expense connected with the production of an article except the cost of materials and the direct labor cost.

The indirect expense or burden cost is found in the accounts in the general ledger. The costs of materials, and of direct or productive labor, are found separately in the cost ledger, and collectively in the general ledger. Separate accounts and separate pay rolls may be kept for direct and indirect labor, or only one account and one payroll may be kept for both; in the latter case it would be necessary to analyze the account or pay roll to find the two labor costs.

Distributing Burden. When the cost of burden has been found, it is distributed over each of the articles manufactured during the period in one of several ways. The following are some of the methods of distributing burden most commonly used in connection with modern cost systems: direct labor cost method; direct labor hour method; direct labor and material method; new machinery method; new pay rate method. The method to be used will depend upon the wage system under which the factory is operated, the nature of the products, and other factory conditions.

When the direct labor cost method of distributing burden is used, the ratio is found by dividing the total burden cost by the total labor cost for any given period. Thus if the total burden cost for a month is \$3000, and the total labor cost is \$6000, the ratio of burden is 50%, and this percentage is added as burden to each article manufactured during that month. Hence, if the material in one of these articles cost 65 cents, and the labor on it cost 95 cents, the prime cost would be \$1.60, and the cost of burden would be 80 cents; the cost to make or factory cost would be \$2.40.

The direct labor hours method of distributing burden is based on workmen's time instead of labor cost, the hour being taken as the unit of time. The rate per hour is found by dividing the total cost of burden for the period by the total number of labor hours, and the percentage thus found is added as burden to the prime cost. This method is regarded by cost accountants as more equitable and satisfactory than the direct labor cost method.

By the direct labor and material method the total cost of burden is divided by the cost of both material and labor for the period, to find the percentage of burden. This method is practicable only when the material forms the greater part of the prime cost of the article.

The student is referred to the special books on cost keeping for a further explanation of the methods of distributing burden, their treatment here being necessarily brief.

Production Reports. When the finished products are sent to the stock rooms, or to the sales department, a "Production Report" is made out, which shows the names or numbers of the goods, the quantities, and the factory cost. From this report an entry is framed in the Finished Stock record, or purchase journal, debiting Finished Goods and crediting Materials, Direct Labor, and Manufacturing Expenses. The Finished Goods account corresponds to the Purchases account in a mercantile business.

When the goods turned over to the sales department are charged to Finished Goods account at market price instead of at factory cost price, some nominal account should represent the difference between the two prices to show the manufacturing profit. Some accountants use the general Profit and Loss account for this purpose, while others construct a special account.

Goods in Process. At the end of a fiscal period, the goods in process of manufacture are inventoried at their factory cost, and this is found in the same way as for the finished products.

SHOE MANUFACTURING BUSINESS

Shoe Manufacturing.—The statements of principles and practices heretofore made regarding manufacturing, and the forms illustrated therewith, will apply to almost any kind of manufacturing industry. The transactions which follow are especially designed to illustrate the application of these principles and practices to, and the use of some of the forms in, a shoe manufacturing business.

The shoe business was selected to illustrate modern manufacturing because the industry of making shoes ranks near the head of the manufacturing activities of the United States.

This typical American industry employs over \$200,000,000 of capital, and nearly 200,000 persons, and turns out over 250,000,000 pairs of shoes a year.

Organization.—The modern shoe factory is usually organized into five departments, viz: Leather Room, where the soles are cut and heel pieces are put together; Cutting Room, where uppers and linings are cut; Fitting Room, where uppers are made (upper parts put together); Bottoming Room, where the uppers are lasted, the soles and heels put on, and the shoes finished; Shipping Room, where the sock linings and laces are put in, and the shoes are ironed, dressed, inspected, and made ready for shipment. Each room is under the charge of a foreman, and the entire factory is under the direction of a superintendent.

In some of the very large shoe factories, where nearly all of the work is done by machinery, the organization of the factory and the work done in each department differ somewhat from that described above.

Materials.—In the manufacture of shoes, leather is the principal material used for the outside, and leather and cloth for the inside. Some shoes have cloth uppers, and leather or rubber outsoles. Other materials which enter into the making of shoes are thread, eyelets, buttons, etc., and are called "findings."

Lasts and Patterns.—For the shaping and making of shoes, lasts and patterns are required. Lasts are wooden and iron forms, known as "first lasts," and "second lasts." First lasts are the exact sizes and shapes which the finished shoes will be, and are used when the uppers are being attached to the soles. The second lasts are only approximately the sizes and shapes of the finished shoes, and are used in the supplementary operations, after the shoes have been lasted; that is, after the uppers have been sewed to the soles.

Patterns are used for cutting uppers and linings. This cutting is done by hand in some factories, and by machines in others. When machines are used for cutting, dies are used instead of patterns. Dies are also used for cutting insoles and outsoles.

Production.—From the earliest times until about the middle of the nineteenth century, foot wear was made entirely by hand, with the aid of simple tools, such as lapstone, hammer, awl, and pincers; but during recent years, the ancient way has been displaced by a system of machines which turn out perfect shoes by the hundred in the time it took the old-style workman to make a single pair. In the making of every good shoe in the modern shoe factory, no less than 58 different machines are used. These machines are of the most delicate and intricate nature, are nearly human in their operation, and more than human in the accuracy and perfection of their results.

Shoes are made by several processes, and in various styles, sizes, and widths, and the customer's order indicates what is wanted in these respects. Each kind and style of shoe is designated by a name and a number, and each shoe bears the factory number and size on the top lining.

Each lot is given an order number, and this number, together with the details affecting the preparation of the shoe upper, are written on tags—one for each lot of shoes—which are sent to the foreman of the cutting room. Others containing the details regarding the sole leather are sent to the leather room, while a third set of tags is sent to the foreman of the bottoming room. On the back of each set of tags are printed the names of the different operations covered by the tag, with spaces opposite for the names of the operatives who do the work. These tags are production orders; they follow the shoes from one department to another; then, after being checked, they are sent to the superintendent's office, and from there to the cost department, and finally back to the office from which they originated.

Processes.—There are three general processes of sewing the uppers to the soles of the shoes by machines, known as the "McKay Process," "Goodyear Welt Process," and the "Goodyear Turn Process."

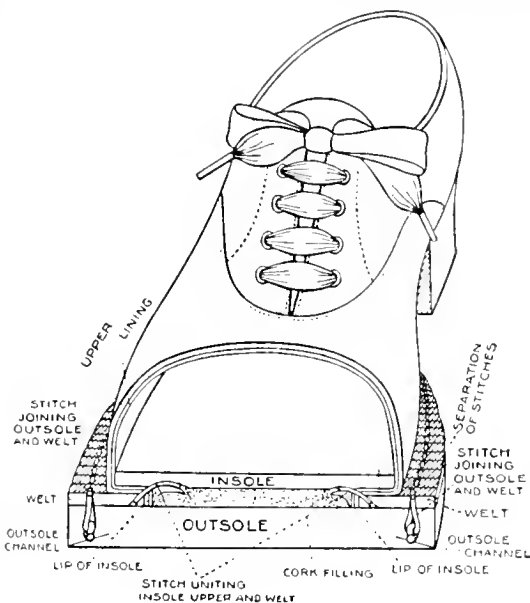
By the McKay Process, stitches are passed through a groove or channel in the outsole, and into and through the underlaps of the upper and insole, inside the shoe.

By the Goodyear Welt Process, which is similar in method to the hand-sewed process, the sole is sewed to a narrow strip of leather called a "welt," which has been previously sewed along the edge of the shoe, beginning where the heel is placed, and ending at the same point on the opposite edge. By this process the inside of the shoe is left smooth, as the stitches are on the outside, instead of on the inside, as in the process previously described.

By the Turn Process the sole is sewed to the upper, with both parts turned inside out, after which the shoe is turned right side out, and finished. As there is no inner sole in turned shoes, they are more flexible and easier to the foot than are shoes made by the other processes.

Finished Goods.—After the goods are finished, they are packed in cartons (paper boxes), properly labeled, one pair in each carton, and the filled cartons are packed in wooden boxes, or cases, and shipped.

In this work, it will be assumed that the shoes are made "on order," by both the Goodyear Welt Process, and the Turn Process, the original orders being taken and sent in by traveling salesmen. Duplicate orders, or "re-orders," are sent by the customers direct to the house, or given to the salesmen when they call.



GENERAL EXPLANATION

Records.—Only the general records of the business are kept in the accounting department. All orders are handled by the sales and shipping departments. The bill and charge system is in operation in the sales department. All freight shipments are made under the straight bill of lading, unless otherwise required, and all bills are made in triplicate on billing machines, the original bill being sent to the customer, the duplicate to the bookkeeper, and the triplicate being placed in the sales binder for reference.

Books Kept.—The books which will be kept in this business are journal, general ledger, sales ledger, general cash book, petty cash book, sales journal, voucher register, analysis book, and bill book. The forms of these books are illustrated, or are the same as heretofore used, with the exception of the journal, which has two debit columns,—Notes Receivable, and General,—and two credit columns,—General, and Accounts Receivable.

Distribution.—The distribution charges in the voucher register will be made in accordance with the following classifications:

Real Estate, for cost of all permanent improvements made on the land and buildings.

Maintenance of Real Estate, for cost of repairs on buildings.

Machinery and Equipment, for cost of new machinery purchased, boilers, engines, motors, inside electric wiring, piping for heat or light, belting, etc., and cost of setting up or installing machinery purchased, and for cost of equipment.

Tools, for cost of new tools, and movable articles used about the factory in connection with production, as rollers, trucks, movable scales, time recorders, etc.

Materials, for invoice cost of all materials used for production purposes, as leather and findings.

Freight Inward, for cost of freight on materials purchased.

Direct Labor, for cost of productive labor on goods manufactured.

Office Equipment, for cost of sales desks, chairs, typewriters, billing machines, adding machines, filing cabinets, letter copying devices, time recorders other than those purchased for use in the factory.

Manufacturing Expenses, for cost of all indirect expenses connected with production. Subsidiary distribution is made for some of these expenses under Factory Supplies, Lasts and Patterns, and Indirect Labor. All other manufacturing expense items are entered under Miscellaneous.

Factory Supplies, for cost of all supplies used for production or factory purposes.

Lasts and Patterns, for cost of lasts, patterns, and dies.

Indirect Labor, for cost of superintendence and other indirect factory labor, as salaries of superintendent, foremen, and wages of assistants, clerks, and unskilled laborers.

Selling Expenses, for cost of expenses connected with the sales of the goods. These charges are distributed under Miscellaneous. They include salesmen's salaries and expenses, advertising, circularizing, postage on same, shipping department wages and supplies, freight outward, insurance and taxes on finished goods, etc.

General and Administrative Expenses, for cost of administration and general expenses. These items are distributed under Miscellaneous. They include salaries of officers and office help, office expenses, office supplies, office postage, telephone charges, telegrams, corporation taxes, etc.

PRELIMINARY WORK

DECEMBER 1, 19

The W. J. Hilton Shoe Company was organized as a business corporation Jan. 1, 1910, with a capital stock of \$200000, par value, \$100 a share, of which \$180000 worth has been issued. The present stockholders, and their holdings, are as follows: W. J. Hilton, \$85000; E. M. Hilton, \$40000; E. C. Wardner, \$35000; (Teacher), \$10000; E. M. Merriam, \$0000; (Student), \$1000.

The president of the corporation is W. J. Hilton; vice president, E. C. Wardner; secretary, R. H. Merriam; treasurer, (Student); manager, (Teacher).

The members of the board of directors are W. J. Hilton, E. M. Hilton, E. C. Wardner, (Teacher), and (Student).

The salary of the president is \$3000; of the treasurer, \$2400; of the secretary, \$1800; and of the manager, \$3600.

The low salaries of the officers are due to their large holdings of the stock, which insures their getting a proportionately large share of the profits in dividends. If much of the stock were held by outsiders, these salaries would be much larger, and more in keeping with the services rendered.

The business has been continued since its organization, and is at present in active operation. For the purpose of giving the student practice in making the business records and the statements of results of a going manufacturing concern, he will take up the work at the beginning of the last month of a fiscal period, and continue it until the end of the period, making the records in his own set of books.

The trial balance taken Nov. 30, 19— shows the following balances in the general ledger. You will enter these balances, except cash, in your general ledger. Allow one-fourth of a page space to each account. Make the date of entry *Dec. 1, 19—* and write *Balance* in the explanation column.

TRIAL BALANCE, NOVEMBER 30, 19—

THE W. J. HILTON COMPANY

| | | |
|--------------------------------------|------------------|------------------|
| Real Estate, | 73742.50 | |
| Machinery and Equipment, | 55903.25 | |
| Tools, | 4376.85 | |
| Lasts and Patterns, | 12580.60 | |
| Office Equipment, | 3580.40 | |
| Good Will, | 30000. | |
| Materials, | 156163.65 | |
| Goods in Process, | 84100.20 | |
| Finished Goods, | 13416.60 | |
| Freight Inward, | 3330.32 | |
| Factory Supplies, | 4951.53 | |
| Accounts Receivable, | 43996.47 | |
| Notes Receivable, | 4895. | |
| Interest, | 126.70 | |
| Collection and Exchange, | 448.20 | |
| Cash, | 22582.78 | |
| Capital Stock, | | 180000. |
| Reserve for Depreciation, | | 27051.75 |
| Reserve for Bad Debts, | | 2805.10 |
| Accounts Payable, | | 30029. |
| Notes Payable, | | 13500. |
| Surplus, | | 21803. |
| Sales, | | 422189.85 |
| Returned Purchases, | | 1362.10 |
| Returned Sales, | 2685.40 | |
| Allowances to Customers, | 362.75 | |
| Discount on Sales, | 8491.14 | |
| Direct Labor, | 132440.60 | |
| Manufacturing Expenses, | 11403.47 | |
| Indirect Labor, | 4580. | |
| Selling Expenses, | 22616.36 | |
| General and Administrative Expenses, | 10390.29 | |
| Discount on Purchases, | | 6831.26 |
| | <u>707252.06</u> | <u>707252.06</u> |

Enter the following abstract in your Analysis Book, extending the amounts into the first money column, over which write *from to Nov.* Leave six blank lines after each of the main divisions. (See Classifying Expenses, and Analysis Book, page 272.)

ABSTRACT OF ANALYSIS BOOK, NOVEMBER 30, 19—

JAN. TO NOV.

Manufacturing Expenses:

| | |
|--------------------------------------|---------------|
| Fuel, Light, and Power, | 3547.50 |
| Repairs and Renewals, | 1125. |
| Royalties, | 6371.20 |
| Insurance on Machinery, etc., | 203.25 |
| Taxes on Machinery, Materials, etc., | <u>210.52</u> |
| | 11408.47 |

Selling Expenses:

| | |
|-------------------------------|---------------|
| Salesmen's Salaries, | 10408.70 |
| Salesmen's Expenses, | 7099.00 |
| Shipping Department Wages, | 2200.75 |
| Shipping Department Supplies, | 1033.40 |
| Insurance on Finished Goods, | 287.48 |
| Taxes on Finished Goods, | 223.15 |
| Freight Outward, | <u>400.28</u> |
| | 22016.30 |

General and Administrative Expenses:

| | |
|---------------------|---------------|
| Office Salaries, | 6410.07 |
| Office Help, | 3542.85 |
| Office Supplies, | 185.40 |
| Insurance on Plant, | 126. |
| Taxes, Corporation, | <u>110.37</u> |
| | 10390.29 |

ACCOUNTS RECEIVABLE

In your sales' ledger construct accounts with each of the following concerns, allowing one-fourth page to each account, and enter on the proper side the date, terms, and amount due from each. See that the total of these debit footings equals the amount of Accounts Receivable, as shown in your general ledger.

The accounts receivable are as follows:

| | |
|--|---------|
| Hub Shoe Co., Boston, Nov. 25, net 30, 2-10, | 2780.45 |
| Dodge & Rice, Boston, Aug. 4, 4 mos., | 4210. |
| Pond & Eaton, Boston, Nov. 3, net 30, | 1782.45 |
| Providence Boot & Shoe Co., Providence, R. I., Oct. 5, net 60, | 1242.50 |
| E. F. Woods & Co., Providence, R. I., Nov. 24, net 30, 2-10, | 1440. |
| Sam Stone & Co., Danbury, Conn., Nov. 20, net 30, 2-10, | 708.50 |
| Geo. H. Deane & Co., Hartford, Conn., Nov. 28, net 30, 2-10, | 1342.75 |
| New Haven Trading Co., New Haven, Conn., Nov. 27, 2-10, | 2830.70 |
| E. M. Lyons & Co., New Haven, Conn., Oct. 30, net 30, | 628.50 |
| Bay State Shoe Co., Worcester, Mass., Nov. 25, 3-15, | 3245.50 |

| | |
|---|---------|
| Marsh, Fielding Co., Chicago, Nov. 10, 2 30, | 4697.50 |
| Quaker Shoe Co., Philadelphia, Nov. 15, 3 30, | 6255.75 |
| Hamilton, Brown Shoe Co., St. Louis, Mo., Oct. 5, sight draft 60 ds., | 4875.20 |
| Pittsburg Furnishing Co., Pittsburg, Pa., Nov. 20, 2 15, | 4219.70 |
| Rich, Lantz & Harris, Cleveland, O., Sept. 14, 90 ds. net, | 3628.07 |

UNPAID VOUCHERS — ACCOUNTS PAYABLE

In your envelope marked "Voucher Jacket File" you will find invoices from other persons which make up Vouchers Payable, as shown by the credit side of Accounts Payable account in the general ledger. Remove these invoices from your envelope and prepare a voucher jacket for each invoice, according to the instructions given below. (See form of voucher jacket and back of same on page 275, and read again what is said on page 274 regarding the voucher jacket. No purchase ledger will be used in this work, as the voucher register takes the place of that book.

No. 2780 — Invoice, J. Russell & Co. Number the voucher jacket, but do not date it. You will be instructed to do that later. Next write the name and address of the creditor, date of the invoice (in the left-hand date column), and on the same line write the word *Invoice*, the terms, and the amount. Attest the correctness of the record on the jacket by writing your name on the line over the word "Bookkeeper," and have your teacher, or whoever he may designate, sign as manager.

An analysis of the invoice shows that it represents a purchase of machinery and equipment, amounting to \$283.57, of tools, \$3.75, of materials for use on addition to factory, \$6.88. These and the other facts should be recorded on the back of the voucher jacket. Write the number, and the amount of the voucher, and the name of the creditor on the top of the form, on the back of the jacket. Next write *Machinery and Equipment*, \$283.57, on the first blank line under Sundries, *Tools*, \$3.75, on the next line, and *Real Estate*, \$6.88 on the following line, and *November* (current year) on the top line. You have now completed the work on the voucher jacket for the present, and made the distribution of the invoice.

Pin the invoice face upward on the front of the voucher jacket, fold the same and place it in your Voucher Jacket File.

No entries will be made in the voucher register for the unpaid vouchers on hand at this time, as they represent the business of the preceding month, at which time proper records were made on the books.

No. 2781. — Invoice, Bracket Mfg. Co. This shows a purchase of production materials. Prepare a voucher jacket in general accordance with the instructions given above.

No. 2782. — Invoice, Parry Bros. & Co. This represents a purchase of materials to be used in enlarging the factory.

No. 2783 — Invoice, Cutler & Porter. Proceed as in No. 2781.

No. 2784. — Bill, Frank C. Perkins. Charge the full amount to Machinery and Equipment under Sundries.

Nos. 2785, 2786, 2787, 2788. — Invoices, Collieson Bros.; Cutler & Porter; H. M. Scripple & Co.; Collieson Bros.

When in doubt about the distribution of an invoice, see Distribution, page 285.

No. 2789. — Invoice National Brass and Iron Works. Charge to Office Equipment under Sundries.

the following entries: (1) The amounts allowed for discounts of 1 per cent are entered monthly when the bill is cashed. (2) The amount of the discount is entered in the cash book as a debit to the "check or bill" or "discount" account. (3) The amount of the bill is entered in the cash book as a credit to the "discount" account. (4) The amount of the bill is entered in the cash book as a credit to the "discount" account. (5) The amount of the bill is entered in the cash book as a credit to the "discount" account.

NOTES RECEIVABLE

In an envelope marked "Cash Drawn From" fill in the following notes which constitute the Notes Receivable balance in the general ledger:

Nos. 233, 234, 235, 236 Take these notes from your envelope and enter them in your bill book, after which return them to the envelope. See that the footing of the amount column in your bill book agrees with the balance of the Notes Receivable account in the general ledger.

NOTES PAYABLE

The following notes are outstanding and constitute the Notes Payable balance in the general ledger. Enter the notes in your bill book, and see that the total agrees with the balance of the Notes Payable account.

No. 174 — Date, Nov. 1, in favor of E. J. Leonard, for money borrowed, payable at your option on demand, with interest, at 6%, \$5000.

No. 175 — Date, Nov. 10, in favor of the Commercial Bank, for money borrowed, payable at the Commercial Bank in 30 days, \$3500.

No. 176 — Date, Nov. 20, in favor of the Commercial Bank, for money borrowed, payable at the Commercial Bank in 30 days, \$5000.

No. A I — Enter the balance of cash, which is the balance in the bank, in your cash book and on the stub of your check book, extending the amount into the net receipts column in the cash book and on the left stub of the check book. You will keep the debit of the account with the bank on the left stub of your check book in this work, and the credit of the account on the right stub.

TRANSACTIONS

DECEMBER 1, 19

No. 1 — Check. — Sam Stone & Co. — Payment of invoice of November 20.

Enter the check in the cash book crediting *Sam Stone & Co.* for the full amount of the invoice in the Account Receivable column, and debiting Discount on Sales in the special column for the amount of the discount. Extend the amount of the check into the Net Receipts column. All payments by customers who discount their bills will be handled in this manner in the following transactions, and in every case, the net or actual amount of cash received, will be entered in the Net Receipts column, as well as in the other column to which it belongs.

Some of the large business concerns divide the general cash book into two books, one of which is called the "general cash book" and is used for a record of the receipts. The other is called the "check or cash book" and is used for a record of the payments. The general cash book or books are kept by the cashier or treasurer, but the check or cash book is kept by the bookkeepers. This is called an "internal check" and provides for the checking of the work of one employee by another, the object being to prevent fraud or peculations on the part of those who handle the cash of the concern.

Post daily all accounts receivable entries, for reasons heretofore explained.

No. 2. — Regular weekly pay roll. This is made up by the superintendent of the factory, and by the secretary, who has charge of the office force, as indicated by the signatures.

Prepare a voucher jacket No. 2790, payable to R. H. Merriam. Date it both at top and side with the current date, and write *Pay Roll* in the explanation column, and the proper amount in the outside money column. Attest the jacket and have it approved by the manager. It is unnecessary to fill out the receipt form at the bottom of the jacket.

Acting as treasurer make a voucher check (see form on page 274) to the order of the secretary for the amount of the voucher. Number the check, and write on it the number of the voucher in the proper place, and enter it in the cash book. (See illustration of cash book on page 279.) Be sure to write the number of the check and the number of the voucher in their respective columns in the cash book, and to extend the amount into both the Vouchers Payable debit column and the Net Disbursements column. Check the entry. Place the check in "Vouchers for Others."

Fill out the back of the jacket by writing the number, amount, name of payee, when paid, and number of the check. Charge \$28.23 to Direct Labor, \$8.23 to Indirect Labor, and \$7.22 to Salaries, under General and Administrative Expenses.

Next enter the voucher jacket in the voucher register as shown in the illustration on pages 276 and 277, extending the total amount into Vouchers Payable Cr. column, and the amount of the separate items into the proper distribution columns. Write *G. A. Sal.*, \$7.22 in the Particulars column, which will assist you in analyzing the miscellaneous G. and A. Exp. column at the end of the month. Write the date, and the number of the check, in the proper Paid columns. Next write the current month and year at the top of the back of the voucher jacket, to show that it has been recorded. Pin the pay roll to the jacket, fold the same, and file as a paid voucher in the Voucher Jacket file.

No. 3. — Invoice, J. H. Steele & Co. For office supplies. Prepare a voucher jacket. Number the jacket with next consecutive number, and as treasurer draw a voucher check for the amount of the bill, and enter it in the cash book. Write the name of the creditor in the Name column, *Invoice 12/1 net*, in the Particulars column, the number of the check, and the number of the voucher, in their respective columns, and the amount in the Vouchers Payable column and in the Net Disbursements column. Check the entry, since it will not be posted, as you are not keeping a purchase ledger. All payments to creditors whose invoices we discount will be handled in this way; in every case the actual amount paid will be entered in Net Disbursements column, as well as in the other column to which it belongs.

Make the proper record on the back of the jacket, charging the purchase to Office Supplies on one of the blank lines under General and Administrative Expenses.

Record the jacket in the Voucher Register, writing *Inv. 12/1 (Off. Sup.)* in the Particulars column, and the amount in the Miscellaneous column, under General and Administrative Expenses. This column will be analyzed at the end of the month, and the explanations in the Particulars column will identify the items.

Complete the record on the jacket, after which proceed with it as heretofore instructed.

No. 4 — Duplicate charge bill, Dodge & Rice. Enter in the sales journal, numbering the entry and the bill, 2975 and charge direct to the account in the sales ledger from the bill. Number the bills consecutively.

F. O. B.—The abbreviation F. O. B. or f. o. b. means free on board; that is, the goods are to be delivered either free to the transportation company at the place of shipment, or free of cartage and transportation charges to the place of destination, depending upon the agreement of the parties or the custom in the trade, and this is indicated by the word or words following the abbreviation.

In the above case the goods are to be delivered free at Boston; that is, free to the place of destination, but the delivery does not include cartage from the freight house or dock of the transportation company to the warehouse or store of the purchaser.

On f.o.b. receiving point shipments, the transportation charges are usually prepaid by the shipper, but if not so paid, as in the above case, they are paid by the customer, who deducts the charges from the invoice at the time of settlement, sending the freight expense bill with his remittance.

No. 5. — Pay voucher No. 2780.

Take voucher jacket No. 2780 from the Voucher Jacket File, detach it from the invoice, date it at the top (current date), deduct the discount, and draw a check for the net amount. Fill out the receipt blank, excepting the date and signature, and attach the check to the jacket. Complete the record on the back of the jacket, and make the proper record in the cash book. Remember to check the entry in the cash book.

Place the voucher in Vouchers for Others, for the present.

No. 6. Draw a check, favor of the secretary, R. H. Merriam, for \$50 for petty cash uses. Charge *Imprest Fund* in the general cash book, and extend the amount into the Net Disbursements column. Remember to write the number of the check in the Check Number column, and the date in the Date column. (See explanation of Imprest Fund, page 277, and illustration of entry on page 270.)

You will assume that Mr. Merriam has had the check cashed and has turned in the currency. You will not be required to handle the petty cash in this work, but will make the records in the petty cash book. Enter the amount in the left-hand money column of the Petty Cash Book, writing for explanation, *Rec'd from Imprest Fund*.

The petty cash book is usually kept by the cashier's assistant, but it may be kept by another, and there may be more than one such book in use. Of course, the person in charge of the petty cash book would handle the cash and make the payments, which should be supported by proper vouchers.

DECEMBER 3

Nos. 7, 8. — Duplicate charge bills, Hamilton, Brown Shoe Co.; E. F. Woods & Co. (See No. 4.)

Remember to post all charge sales direct from the bills, as soon as the bills are received and entered in the sales journal, and to post daily all credits to customers, so that the accounts will show their true current condition. Also to keep the cash book posted to date.

No. 9. — Memorandum, J. W. Evans, salary and expenses for November. Prepare a voucher jacket, draw a check, and make the proper entry in the cash book, extending the amount into the Net Disbursements column. Check the entry. Under Selling Expenses on back of the jacket, charge \$350 to Salesmen's Salaries and \$211.27 to Salesmen's Expenses. Record the voucher in the Voucher Register, writing *N. v. Sal. \$350, Exp. \$211.27*, in the Particulars column, extending the full amount under Selling Expenses.

Remember to enter the date and number of the check in the Date column when a voucher is paid, and complete and file the voucher jacket in Vouchers Jacket File.

No. 10. — Memorandum, J. L. Marcy, salary and expenses for November. Proceed as in No. 9.

The above expense bills are properly chargeable to the November business, but excepting for cost keeping, and other statistical purposes, there is no objection to charging them to the December business, since they will in either case be included in the expenses of the current fiscal period. Some accountants do not close the voucher register until all bills for the month have been recorded.

No. 11. — Invoice, Frank C. Perkins. Charge to Machinery and Equipment.

Nos. 12, 13. — Bill, City Gas and Electric Co. Invoice, E. A. Conway Coal Co. Charge each to Manufacturing Expenses in Miscellaneous column and place the initials *E. L. & P.* in the Particulars column.

No. 14. Invoice, Western Leather Co.

No. 15. — Pay vouchers Nos. 2795, 2796, 2781, 2785. Deduct the discount from the gas-bill.

No. 16. — Petty cash memorandum. Enter each item in your petty cash book, extending the amount into the right-hand money column. Make proper explanation of each entry. (See No. 6.)

No. 17. — Check, Pond & Eaton. See their account in your ledger and enter accordingly.

No. 18. — Deposit all checks on hand, and indorse the note of the Providence Boot & Shoe Co. and leave it at the bank for collection. Make the proper record in your bill book. Collection charges, \$2.50.

Some banks request that items for collection be accompanied by a list, and left 10 days before maturity.

Before making a deposit, the cash should be proved. If your cash does not prove at any time and you are unable to find the cause of the "over," or "short," adjust the same, as heretofore explained.

Make the entry in detail in the check book for the deposit, but do not enter the collection in the cash book. Instead, prepare a "Collection and Exchange" slip, and enter on it the amount of the collection, together with the date. Place the slip in the cash drawer. Enter all collection charges for the month on the slip, and add the amount to the disbursements when proving your cash during the month. Enter the total in cash book at end of month.

By keeping a Collection and Exchange slip, it is unnecessary to enter collection and exchange items in the cash book until the end of the month, when the total of the slip will be entered as one item, at which time the slip will be filed as a voucher for auditing purposes.

DECEMBER 4

No. 19. — Invoice, J. Russell & Co. Pay this bill. Charge the waste to Factory Supplies.

No. 20. — Duplicate charge bill, Marsh, Fielding Co.

Freight Prepaid. — The prepayment of transportation charges is usually a matter of agreement between purchaser and seller, but it is sometimes a custom in the trade, or a necessity, as in cases where there are no freight or express agents at the delivery points. Freight charges may be prepaid as the result of agreement or custom, or as an accommodation to the purchaser. In the first case, they are charged to Selling Expenses, usually through a special Freight Paid-Expense account, or a general Freight Outward account, which is analyzed at the end of each month. In the latter case they are charged to the customer.

The prepayment of transportation, and the disposition to be made of the charges, are indicated on the shipping order: as, "Freight Paid-Expense," "Express Paid-Expense," or "Freight Paid and Charge," or "Express Paid and Charge," or by other definite similar expressions.

DECEMBER 5

No. 21. — Check, Providence Boot & Shoe Co. See their account and apply the payment accordingly.

No. 22. — The bank notifies you that the sight draft on the Hamilton, Brown Shoe Co., St. Louis, for \$4875.20, which was drawn Nov. 27, has been paid, and the amount placed to your credit, less collection, \$5.25. Make the proper entry in the cash book for the sight draft, extending the amount into the Accounts Receivable and Net Cash Received columns, and in the check book for the credit; also on the Collection and Exchange slip for the collection. Show in the check book the total amount of the draft, and the collection, as well as the net amount, so that the entry can be easily audited.

Nos. 23, 24 Duplicate charge bill, Dodge & Rice. Pay vouchers Nos. 2788, 2789.

No. 25. Invoice, Charles Koss & Bro. Charge Shipping Supplies, in Miscellaneous column under Selling Expenses, and explain in Particulars column.

No. 26 Statement, United Shoe Machinery Co. Pay the amount. Charge Royalties, under Manufacturing Expenses.

The Royalty System. Most of the machines used in the "Bottoming Room" instead of being bought outright, as are most of the machines in the "Finishing Room," are leased from the manufacturers, who charge a certain sum per shoe for the use of each machine. This charge is called a "royalty," and ranges from 100 to 150 cents on a shoe. Manufacturers of leased machines keep them in repair, and, of course, bear any loss by depreciation.

By the royalty system, the shoe manufacturer has the use of the leased machines without having any of his capital invested in them, and has no charges to pay for repairs, nor allowances to make for depreciation.

Each leased machine has a device attached to it for registering the number of shoes on which the machine is operated, and from this register the royalty record of the machine is made.

No. 27. — Invoice, A. D. Jackson Saddlery Co. Pay this invoice less discount.

DECEMBER 6

No. 28. — Invoice, Parry Bros. & Co. This material is for use in enlarging the factory.

Nos. 29, 30. — Invoice, Cutler & Porter. Duplicate charge bill, George H. Deane & Co.

No. 31 Cash sale, J. T. Ferris. Enter in the cash book only, extending the amount into the Cash Sales and Net Receipts columns. Check the entry. (See page 278.)

No. 32. Petty cash memorandum. (See No. 19.)

DECEMBER 7

No. 33. Invoice, F. A. Walsh & Co. (Be careful about the distribution.)

Nos. 34, 35. — Duplicate charge bills, Rich, Lantz & Harris; New Haven Trading Co.

The freight charges on No. 34 were prepaid and charged to the customer, as shown by the duplicate charge bill. Enter only the amount of the sale in the Item column of the sales journal, and on the next line write *Freight outward, on above*, and place the amount, 53¢, before the Item column. Carry the freight outward items along until the end of the month, then charge the amount to Freight Outward account.

When the freight charges are prepaid at the time the goods are delivered to the transportation company, the receipt is acknowledged on the bill of lading, and memorandum copy, by the agent or cashier of the company. When the shipper has an account with the company, he stamps "*Freight Prepaid and Charged to Shipper*" on the bill of lading, to the right of the description of articles, etc. (See form of bill of lading, Appendix II, for places for the stamp, and the receipt, or the charge notice.)

In this business The City Carting Company attends to all freight and carting matters, and renders monthly statements. The signed and receipted bills of lading, and memorandum copies, are turned in by them to the shipping department daily.

No. 36 — Letter, check, and note, Dodge & Rice.

DECEMBER 8

No. 37 Check, The Hub Shoe Co. See their account.

No. 38. Draw on E. M. Lyons & Co. at sight, for invoice of Oct. 30, and leave the draft at the bank for collection. Deposit all cash (currency and checks) on hand. Bank charges \$5.50 for collection. Write or dictate a letter to E. M. Lyons & Co., notifying them that you have drawn on them and requesting that they honor the draft.

No. 39. — Pay roll.

No. 40. — Invoice, Diebold Safe Co. Pay the invoice.

Nos. 41, 42. — Duplicate charge bill, E. F. Woods & Co. Cash sale (check), Wm. M. Lee & Co.

Nos. 43, 44. — Checks, Pittsburgh Furnishing Co.; New Haven Trading Co. Be sure to refer to the account in the ledger before entering a remittance.

DECEMBER 10

Nos. 45, 46. — Invoices, Western Leather Co.; Charles Koss & Bro.

No. 47. — Check, Geo. H. Deane & Co.

Nos. 48, 49. — Deposit all checks on hand; collection charges, \$8.25. The bank notifies you that your note in their favor for \$3500, due to-day, has been charged to your account.

No. 50. — Pay vouchers Nos. 2794, 2783, 2782, 2797.

DECEMBER 11

Nos. 51, 52. — Invoice, Collieson Bros. Duplicate charge bill, Bay State Shoe Co.

DECEMBER 12

Nos. 53, 54. — Invoice, O'Neil Oil & Paint Co. Cash sale, Jones & Allis.

No. 55. — Check, Dodge & Rice. Payment, bill Dec. 1, less freight charges. Treat the deduction from the bill as a discount on sales.

Other ways of recording a deduction of this kind would be to charge it to Freight Outward, or to Allowances to Customers through the journal. By any of these ways, however, the proper deduction from revenue would be shown on the books.

No. 56. — Note, Providence Boot & Shoe Co. and protest, petty cash memo.

Charge the protest fees to the Providence Boot & Shoe Co., in the petty cash book.

Post the entry. No entry is required for the note since it was merely left for collection.

Make proper notation in the bill book.

Write or dictate a letter to the Providence Boot & Shoe Co. requesting an explanation for allowing their note to go to protest.

No. 57. — Deposit all cash on hand. Collection charge, \$3.90. Leave the note of Dodge & Rice, due on the 14th inst., at the bank for collection.

No. 58. — Pay vouchers Nos. 2784, 2790, 2810.

DECEMBER 13

No. 59. — Invoice, A. D. Jackson Saddlery Co. Pay the invoice.

No. 60. — Duplicate charge bill, Hamilton, Brown Shoe Co. The terms are special.

No. 61. — Letter, check, and note, Bay State Shoe Co. Enter the full amount of the discount in the cash book.

DECEMBER 14

No. 62. — Cash sale, Chas. D. Pomeroy.

No. 63. — Pay vouchers Nos. 2802, 2803

No. 64. — Check, The Hub Shoe Co. Payment of note as per bill book. Take the note from your Cash Drawer, write "Paid" across the face, and place it in Vouchers for Others.

No. 65. Deposit an cash on hand, and a note of the Bank for collection E. F. Woods & Co., dated the 20th. Collection charge, 83. Also the Quaker Shoe Co.'s note, due Jan. 15, was omitted, and the proceeds placed to your credit.

DIECKMANN 15

Nos. 66, 67, 68. — Invoice, B. S. Green & Co., Pay roll. Duplicate charge bill, Sam Stone & Co.

Nos. 69, 70, 71, 72 - Checks, Rich, Lantz & Harris; E. F. Woods & Co.; Marsh, Fielding Co.; Hamilton, Brown Shoe Co.

No. 73 Pay voucher No. 2804.

No 74 Petty cash memorandum. Your draft on E. M. Lyons & Co. was protested for nonpayment. (See No. 56.)

DECEMBER 17

Nos. 75, 76, 77. — Invoice, H. M. Seiple & Co. (Machinery and Equipment.) Duplicate charge bill, Pond & Eaton. Check, Dodge & Rice.

No 78. Letter and check, E. M. Lyons & Co.

No 78 a.—Deposit all cash on hand; collection charges, \$13.50.

No. 79. — Letter, Providence Boot & Shoe Co. — Acting on instructions from the manager, you will write or dictate a letter to the Providence Boot & Shoe Co., expressing regret at their failure, and accepting their offer of 60 cents on a dollar, for your book claim and their note protested on the 12th inst.

DECEMBER 18

Nos. 80, 81. - Duplicate charge bill, F. B. Lewis & Co. Check, Geo. H. Deane & Co.

No. 82. — Pay vouchers Nos. 2807, 2808.

DECEMBER 1961

Nos. 83, 84. Invoice, J. H. Steele & Co. Invoice, F. A. Walsh & Co.

Nos. 85, 86, 87. — Duplicate charge bill, Pittsburgh Furnishing Co. Check, Quaker Shoe Co. Petty cash memorandum.

INDEX MEMBER 20

Nos 88, 89, 90 — Invoice, Boston Last Co. Cash sale, R. S. Sherwood & Co. Duplicate charge bill, Bay State Shoe Co.

No 91 Letter and check from New Haven Trading Co. See their account in the ledger for the terms. Give them credit for \$1530.

The practice in cases of this kind varies. Some concerns divide the remittance by 100 less the rate of discount allowed by the terms, and credit the customer for the amount represented by the quotient (as, $\$1500 \div .98 = \1530.61); while others credit the customer for the amount of the remittance, plus the discount on the same, as in this case. The latter method, owing to its simplicity, is the one commonly followed in many localities.

No. 92. — Deposit all cash on hand. Collection charges, \$8.00.

No. 93. — Your note due to-day, favor of your bank, has been charged to your account.

DECEMBER 21

Nos. 94, 95, 96. — Invoice, Western Leather Co. Duplicate charge bill, The Hub Shoe Co. Check, E. F. Woods & Co.

DECEMBER 22

Nos. 97, 98. — Pay roll. Cash sale, Hudson & Foster.

DECEMBER 24

Nos. 99, 100. — Invoice, Chas. Koss & Bro. Duplicate charge bill, Empire Shoe Co.

No. 101. — Check, Providence Boot & Shoe Co. In full payment of the bill of Oct. 5, and their note protested of Dec. 12. The check is for 60% of these two amounts, as per agreement.

Enter in the cash book, *Providence Boot & Shoe Co.* for 60% of bill, and *Notes Receivable* for 60% of note. You have lost 40% of the note, and 40% of the bill of Oct. 5; also the protest fees. Losses from bad debts are provided for by a Reserve for Bad Debts account, which is credited at the end of each fiscal period with a certain proportion of the profits of the business, and charged with such losses as may occur during the period. Therefore, in your journal, frame an entry, *Reserve for Bad Debts*, for the total loss, and *Providence Boot & Shoe Co.*, for the loss on the book account, including the protest fees, and *Bills Receivable*, for the loss on the note.

No. 102. — Pay vouchers Nos. 2786, 2787, and 2809.

No. 103. — Deposit all cash on hand. Collection, \$2.25. The note of E. F. Woods & Co., which was left for collection, has been paid, and the amount placed to your credit.

DECEMBER 26

Nos. 104, 105. — Invoice, J. Russell & Co. The nails are for use in enlarging the factory; the belting is an addition to the equipment. Pay the bill. Invoice, Collieson Bros.

Nos. 106, 107, 108. — Duplicate charge bills, The John Warner Co.; Quaker Shoe Co.; Pittsburgh Furnishing Co.

Nos. 109, 110, 111. — Checks, E. F. Woods & Co.; Sam Stone & Co.; Hamilton, Brown Co.

DECEMBER 27

Nos. 112, 113, 114. — Invoice, Cutler & Porter. Duplicate charge bill, Sam Stone & Co. Check, Rich, Lantz & Harris.

Nos. 115, 116. — Check, New Haven Trading Co. In payment of balance of invoice Dec. 7, less special discount, 1%. Pay voucher No. 2816.

DECEMBER 28

Nos. 117, 117 a. — Cash sale, B. F. Howe & Co. Memo. of goods returned, The Hub Shoe Co.

Nos. 118, 119. Pay voucher No. 2815. Deposit all cash on hand. Collection of Charles, S. S.

DECEMBER 29

Nos. 120, 121, 122. Pay roll. Duplicate charge bills, E. M. Lyons & Co., Rich, Lantz & Harris.

No 123 — Check, Bay State Shoe Co. In payment of invoice, Dec. 11. Refer to their account, and see if the remittance is correct.

There are two methods of treating overpayment. One is to return the amount of the overpayment by check, or in currency if the amount is small, and the other is to credit the customer's account for the amount of the overpayment. You will follow the second method in this case.

Frame an entry in the cash book for the correct net amount of the invoice, and for the discount, and another entry for the overpayment, with proper explanation. Notify the customer of the error, and state how you have treated it.

Nos. 124, 125. — Pay voucher No. 2818. Petty cash memo.

DECEMBER 31

Nos. 126, 127, 128. — Duplicate charge bill, Marsh, Fielding Co. Cash sale, W. P. Hoyt & Co. Pay voucher No. 2820.

No. 129. Bill, City Carting Co. Pay this bill. Charge *Freight Inward*, \$243.52, *Freight Outward*, \$38.48.

Nos. 130, 131, 132. — Memo, goods returned, Empire Shoe Co. Bill, Mead, Mason & Co., for addition to the factory. Pay this bill. Deposit all cash on hand. Collection, \$2,75.

No. 133. — The salaries of the officers and general manager for the month are due. Prepare voucher jackets, and draw the checks. Charge one-third of the general manager's salary to Mfg. Expenses.

The transactions for the month, and also for the fiscal period, are now completed, but all of the records have not been made. It usually takes a few days in which to get the reports from the different departments, showing cost of goods manufactured during the month, and of goods in process, the value of finished goods, materials and factory supplies on hand, the amount of wages and salaries accrued, inventories of office equipment and office supplies, and the salary and expense accounts of the traveling salesmen.

In the meantime, the transactions of the next month would be taking place, and be recorded in the books of original entry. In this work, only the business of the fiscal period ending December 31 will be considered, and therefore no records will be made for the transactions of the next period.

You will now pencil foot your petty cash book, and analyze the entries, preparatory to transferring them to the voucher register. Rule a sheet of analysis paper with four columns, which you will head, *Acts, Rev., Mfg. Exp., Sell. Exp., Gen. & Adm. Exp.*, respectively, and enter in these columns the items which appear in the petty cash book, including the personal accounts items. Be careful about the classification of the items, and when in doubt, refer to Distribution, page 285.

Next, rule off and foot the analysis sheet, after which enter the titles of the accounts and the footings of the columns in the explanation column of the petty cash book, writing *Summary* over the entry. Single rule and foot the summary to show that it agrees with

the pencil footing of the disbursements column. Next balance and rule off the petty cash book, and on a slip of paper make a memorandum of the summary under the current date. Pin the memorandum to the petty cash vouchers, and prepare a voucher jacket, using, for explanation, *Petty cash disbursements, December, 19—*, for total amount, and distributing according to the summary.

Enter the voucher jacket in the voucher register as follows: After writing the number and the date in the proper columns, write in the In Favor of column *Imprest Fund*, in the Particulars column, *Dec. disbursements*, in the Vouchers Payable Cr. column (*Total amount*), in the Account column, *Accounts Receivable (amount)*, and check the entry, as the items comprising the amount have already been posted, and the amount will be posted in the footing of the special column. Extend the other distribution items into their respective columns, and write the current date in the Paid date column, and *Imp. Fid.* in the check number column.

The Imprest Fund has been charged, through the general cash book, for the check drawn for petty cash expenses, and it should now be credited for the petty cash disbursements. The Accounts Payable account will be credited through the voucher register for the amount of the petty cash disbursements, which are not Accounts Payable items, hence an entry must be made to adjust the account. You will therefore frame a journal entry debiting Accounts Payable and crediting Imprest Fund for the amount of the petty cash disbursements for the month, with the proper explanation. Post the entry.

Nos. 134. 135. — Memorandums, J. W. Evans, J. C. Marcy. Prepare voucher jackets, and enter. These expenses are to be charged to the December business, but as the reports are received after the close of the month, the vouchers will be paid in the next fiscal period.

Pencil foot the voucher register and prove the footing. The amount of the Voucher Payable Cr. column should agree with the total of all the other columns. Next rule and ink foot the register.

Rule off and foot the sales journal and post the footings (see No. 34). Enter in the cash book the amount of collection and exchange, from your Collection and Exchange slip. Foot separately the regular and special items in the Accounts Receivable and Discount on Sales columns of the cash book, and write the totals and titles, as shown in the form on page 278. Balance and rule off the cash book, and post the footings.

No. 136. — Statement, Commercial Bank. Reconcile the bank balance, and list the outstanding checks on the stub of the check book.

In business, the canceled checks would of course accompany the statement.

Call at the teacher's desk for your paid jackets and canceled checks, if they have not been returned to you.

Post the voucher register in accordance with the following instructions: First, post the footings of the Vouchers Payable Cr. column to the credit of Accounts Payable, and place a check mark, with the folio of the account over it, opposite the amount. Next post the unchecked Sundry Debits entries. (The footing of the General column is not posted nor checked.) Then post the footings of the remaining columns to the debit of their respective accounts, and check the amounts.

You will now analyze the Miscellaneous columns of the voucher register, and enter the results in the analysis book. Prepare analysis sheets for the three main divisions of expenses. Rule as many money columns on each sheet as there are subsidiary titles in your

analysis book, and leave space for a few additional columns. (See your analysis book.) Head the columns, abbreviating the titles.

Next analyze the items in the Miscellaneous Manufacturing Expenses column in the voucher register, placing the amounts in the proper columns on the Manufacturing Expenses analysis sheet. Refer to the Particulars column for assistance in identifying the items, and to the petty cash book or the analysis sheet of the same. Rule and head additional columns on the analysis sheets as needed.

Analyze the Selling Expenses column and the General and Administrative Expenses column, as instructed above. Foot and prove the analysis sheets. The total of the footings of each sheet should agree with the footing of the corresponding voucher register column.

Enter the footings of the various columns of the analysis sheets in the second or Dec. column of the analysis book, opposite their respective titles, writing new titles if necessary. Pencil foot each section of the analysis book, and compare with the footing in the voucher register. If correct, rule off and ink foot the sections.

No. 137. — In accordance with the established policy of the company, you will charge off depreciation as follows: On machinery and equipment, and tools, 12½% of book value; on lasts and patterns, 25%; and on office equipment, 10%. Find these amounts from the accounts, and frame a journal entry, charging Reserve for Depreciation for the total depreciation, and crediting the other accounts for their respective amounts, with proper explanation. Post the entry and write *Depreciation* for explanation of the items in the ledger.

It is a common practice among the large manufacturing concerns to keep separate Reserve for Depreciation accounts, as Reserve for Depreciation of Machinery and Equipment, Reserve for Depreciation of Tools, Reserve for Depreciation of Buildings, etc.

Next charge off 10% of the book value of good will, debiting Surplus. Frame and post the entry, making proper explanation in the account.

No. 138. — The wages and salaries accrued, but not due, as reported by the superintendent and the secretary, are as follows: Direct labor, \$676.50; indirect factory labor, \$112.50; shipping department wages, \$37.50; office help, \$24.

The royalties accrued, but not due, as shown by the registers on the leased machines, and reported by the superintendent, amount to \$312.45.

Frame a journal entry charging these accruals to their proper accounts, and crediting Accrual account for the total. Post the entry.

Accrual Account. For the purpose of getting all accrued but not due assets and liabilities into books at the close of a fiscal period, a nominal account, called Accrual account, is constructed. This account is *debit*, when constructed, for the amount of all accrued assets, and *credit* for accrued liabilities. When it is closed, it is re-constructed for the next fiscal period, the accruals are abolished, and a new Accrual account is constructed for accrued assets and *debit* for accrued liabilities, which will balance the account.

You have outstanding an interest-bearing note. Find the amount of the accrued interest, and frame the proper journal entry. Post the entry.

Take off a trial balance of balances of the general ledger, and include the cash balance.

Make an abstract of the sales ledger, and see if it is in agreement with the Accounts Receivable account.

Make an abstract of Vouchers Payable Cr. from the voucher register, and compare it with the balance of the Accounts Payable account, and with the unpaid vouchers.

The following inventories have been reported by the different departments, as per schedules on file:

INVENTORIES, DECEMBER 31, 19—

Assets

| | |
|-----------------------------|------------|
| Materials per schedule # 1 | \$ 3428.60 |
| Factory Supplies " # 3 | 410.34 |
| Fuel " # 6 | 468.10 |
| Goods in Process " # 2 | 6172.15 |
| Shipping Supplies " # 5 | 220.85 |
| Finished Goods " # 4 | 17600. |
| Office Supplies " # 7 | 40.50 |
| Real Estate (at book value) | |

You will now make statements of the business similar to those made for the Wholesale Dry Goods business, excepting as instructed below.

Manufacturing, Trading, Profit and Loss Statement.—In a manufacturing concern, the statement showing the activities and profits and losses of the business contains a section which represents the Manufacturing account, called the Manufacturing account section, and is the first section in the statement. (See form on pages 302 and 303.)

This account shows, on the debit side, the items, materials on hand at beginning of fiscal period, purchases of materials during the period, freight inward, labor paid during period, goods in process at beginning of period, manufacturing expenses for the period, factory supplies on hand at beginning of period, purchases of factory supplies during the period, and depreciation of machinery and equipment, of tools, and of lasts and patterns, from the total of which is deducted the total of the items, materials, goods in process, fuel, factory supplies, on hand at the end of the period, and returned purchases. The difference between the totals is the factory cost of the finished goods, which is entered on the credit side, and brought down into the Trading account section.

Some accountants place the present inventories on the credit side of the Manufacturing account section, as offsets, instead of deducting them from the debits, as described above.

Prepare the Manufacturing account section of your statement, as shown in the form, obtaining the amount of the depreciation items from your Machinery and Equipment, Tools, and Lasts and Patterns accounts. Foot and rule off the section, and bring down the finished goods item into the Trading account section.

Prepare the Trading account section of the statement, and as illustrated on pages 302 and 303. Foot and rule off the section, and bring down the gross trading profit into the first section of the Profit and Loss statement.

Prepare the first section of the Profit and Loss account, obtaining the inventory amounts from your schedules, and the amount of the depreciation item from your Office Equipment account. Foot and rule off the section and bring down the net profit on trading into the next section.

Prepare the final section of the statement, reserving \$10000 for depreciation, and 2% of the amount of the outstanding Accounts Receivable for bad debts. Credit the balance of the net profit to Surplus.

Balance Sheet.—The balance sheet of a business corporation is similar in form to that of a proprietary business, excepting that the assets and liabilities are arranged in the order of fixed and floating, or current. (See form, pages 304 and 305.)

MANUFACTURING, TRADING, AND
THE DARLINGTON SHOE COMPANY, FOR THE

| | | | |
|---|------------------|---------------|------------------|
| Materials | | | |
| Inventory, Jan. 1 | | 12309 | 18 |
| Purchases to Dec. 31 | 153817.62 | | |
| Less Return Purchases | <u>952.35</u> | 152865 | 27 |
| | | 105261 | 45 |
| Deduct: Inventory, Dec. 31 | | 14580 | 10 |
| Cost of Materials used | | 150681 | 35 |
| Inventory, Goods in Process, Jan. 1 | | 24086 | 31 |
| Freight Inward | | 371 | 84 |
| Labor | | 170345 | 25 |
| | | 285584 | 75 |
| Deduct: Goods in Process, Dec. 31 | | 17061 | 45 |
| Prime Cost | | | 267423 30 |
| Mfg. Expenses, per Analysis Book | | 11463 | 47 |
| Fuel | 4085.75 | | |
| Less Inventory, Dec. 31 | <u>1075</u> | 2410 | 75 |
| Indirect Labor | | 4580 | |
| Factory Supplies: | 11304.45 | | |
| Less Inventory, Dec. 31 | <u>2315.70</u> | 9078 | 75 |
| Depreciation as under: | | | |
| Machinery and Equipment | 5103.50 | | |
| Tools | 545 | | |
| Lasts and Patterns | <u>5207.25</u> | 13015 | 75 |
| | | | 41448 72 |
| | | | <u>308872 52</u> |
| Finished Goods: | | | |
| Inventory, Jan. 1 | 14631.50 | | |
| Factory Output, from Mfg. Account | <u>308872.02</u> | 323503 | 52 |
| Deduct: Inventory, Dec. 31 | | 12713 | 25 |
| Factory Cost of Sales | | | 310790 27 |
| Gross Profit on Trading | | | <u>100072 55</u> |
| | | | 412863 25 |
| Selling Expenses | 24745.92 | | |
| Less Inventory, shipping dept. supplies | <u>327.45</u> | 24418 | 47 |
| General and Administrative Expenses | 15802.65 | | |
| Depreciation on office equipment | <u>358</u> | 16240.65 | |
| Less Inventory, office supplies | | <u>536.25</u> | 15714 40 |
| Interest, debit balance | 135.62 | | |
| Accrued on notes payable | <u>40</u> | 175.62 | |
| Less accrued on notes receivable | | <u>100.36</u> | 66 20 |
| Allowances to Customers | | 418 | 25 |
| Discount on Sales | 8052.75 | | |
| Less discount on purchase | <u>2310.53</u> | 1642 | 22 |
| Collection and Exchange | | 200 | 55 |
| Net Profit on Trading | | | 42550 18 |
| | | | <u>50510 80</u> |
| Reserve for Depreciation | | 12500 | |
| Reserve for bad debts | | 3750 | |
| Surplus | | 43266 | 80 |
| | | | 50510 80 |

PROFIT AND LOSS STATEMENT

YEAR ENDING DECEMBER 31, 19—.

| | | | |
|---|--------|--------|-----------|
| Finished Goods, factory cost of output transferred to Trading Account | | 358872 | 02 |
| Sales | 414387 | 06 | 358872 02 |
| DEDUCT: | | | |
| Returned Sales | 1523 | 81 | |
| Net Sales | | | 412863 25 |
| Gross profit on trading, down | | | 412863 25 |
| | | | 102072 98 |
| Net profit on trading, down | | | 102072 98 |
| | | | 59516 80 |
| | | | 59516 80 |

BALANCE
THE DAKINGTON SHOP

| ASSETS | | |
|-------------------------|----------|----------|
| Real Estate | | 125750 |
| Machinery and Equipment | 5135 | |
| Fuels | 545 | |
| Leases and Patents | 3360 | |
| Office Equipment | 357 | |
| | 95134 | |
| Depreciation | 14273.75 | 7976.25 |
| Good Will | | 25 |
| | | 22761.25 |
| Current Assets | | |
| Inventories | | |
| Raw materials | 3795.95 | |
| Finished goods | 12713.25 | 40 |
| Accounts Receivable | | 64376.45 |
| Notes Receivable | | 32317.5 |
| Cash in Bank | | 27153.65 |
| | | 174377 |
| | | 143777.5 |

Prepare a balance sheet beginning with the most fixed asset (real estate), and ending with the quickest or most liquid (cash). Treat the balance of Imprest Fund Account as cash on hand. The amount should agree with the balance of the petty cash book. Arrange the items on the credit side in the order of capital stock, current liabilities (you have no fixed liabilities), reserves, and surplus.

Closing the Ledger. You will close the ledger by passing the entries through the journal, as explained on page 245. Frame a journal entry debiting Finished Goods, for the factory cost of goods manufactured during the period, as shown by the credit side of the Manufacturing account section of the statement, Sundry Inventories, for the amount of the inventories on December 31, as shown on the debit side, and credit the proper accounts for their respective amounts.

The inventories of fuel and factory supplies will be credited as separate items, with proper explanations, to Manufacturing Expenses.

Frame an entry to close the accounts in the Trading account section, debiting Sales and Sundry Inventories (of December 31), and crediting Finished Goods (for Inventory, December 31), Return Sales, and Profit and Loss, for the amounts shown in the section.

Frame an entry to close the accounts in the first section of the Profit and Loss account, obtaining inventory amount from your schedules, and the amount of depreciation from your Office Equipment account. Credit the expense, Depreciation, and Discount on Sales accounts, Interest, and Collection and Exchange, and debit Discount on Purchases, Sundry Inventories for their respective amounts, and Profit and Loss for the difference.

Frame an entry to close the accounts in the last section of the statement, and post.

You will now adjust the accrual and inventory entries. Frame an entry crediting the proper accounts for the wages and salaries accrued December 31 (see your original entries for these accruals), and debit Accrual account for the amount. (See Accrual Account, page 300.)

SHEET

COMPANY, DECEMBER 31, 19—.

LIABILITIES

| | | | |
|-----------------------|--------|-------|-----------|
| Capital Stock : | | | |
| Preferred | 100000 | | |
| Common | 150000 | 25000 | |
| Real Estate Mortgage | | 25000 | |
| | | | 275000 |
| Current Liabilities : | | | |
| Accounts Payable | | 17700 | 84 |
| Notes Payable | | 7500 | |
| Accrued Charges | | 1307 | 57 |
| | | | 26507 41 |
| Reserves : | | | |
| Depreciation | | 39852 | 50 |
| Bad Debts | | 5261 | 83 |
| | | | 45114 33 |
| Surplus | | | 57250 31 |
| | | | 403978 05 |

Frame an entry to adjust the inventories of December 31. Debit the proper accounts for the inventories (see your original entry for these inventories), and credit Sundry Inventories for the total amount. Post the entries.

Foot and rule off all nominal accounts that balance, also all accounts in the sales ledger that balance.

You have now completed the records and statements of the business for the fiscal period, ending December 31, 19—, and the books are in proper shape to receive the records of the next fiscal period. As previously explained, a portion of the profits of a corporation is distributed to the stockholders in the form of dividends, which are declared by the Board of Directors at certain periods, as quarterly, semi-annually, and annually. You may assume that the Board of Directors of the company have declared an annual dividend of 10 % from surplus on the outstanding capital stock, payable on January 25, 19—, to stockholders of record of January 15. Frame a journal entry for the dividend declared.

In practice, the stock books would be closed January 15 to give the secretary an opportunity to make up a list of persons holding stock on that date. This list would be turned over to the treasurer, who would send dividend checks to the stockholders on January 25, at which time the Dividend account would be charged with the total amount.

EXERCISES

The following exercises are to be prepared on loose paper :

1. The petty cash book of the Gile Manufacturing Company shows the following entries for December, 19—, dates being omitted : Office postage, \$5, \$5, \$2.25 ; Supplies for Shipping Dept., \$4.50, \$4, \$2.50, \$3.50, \$5.75 ; Express In, \$1.15, \$.75, \$1.40, \$3.10, \$.45 ; Express Out and Charge, \$2.15, \$1.85, \$3.40, \$.95 ; Express Out Expense, \$1.45, \$.50, \$1.35, \$2.75, \$1 ; Extra window cleaning, office, \$1.75 ; Glazing factory windows, \$3.55 ; Telegrams, \$.57, \$.25, \$.42, \$1.12, \$.62, \$.38, \$.25 ; Protest fees, \$1.50, \$2.25,

Sales, less returns and allowances, \$9127542.87; Producing and Manufacturing Costs, \$7224680.48; Gross Earnings, \$———. Selling and General Administrative Expenses, \$1125875.07; Earnings from Operations, \$———. Miscellaneous Profits and Interest Received, \$64259.69; Total Net Earnings, \$———. Miscellaneous Charges: Interest on Loans and Deposits, \$106923.95; Special Reserve for Discounts on Customers' Accounts, \$50000; Dividends on Preferred Stock, \$175000; Net Surplus Earnings, \$———.

Show the entries which would be framed when a semi-annual dividend of $1\frac{3}{4}\%$ on the preferred stock has been declared out of surplus by the above company, and when the dividend has been paid by checks.

5. The annual statement, December 31, 1910, of the Central Leather Company showed assets as follows: Fixed Assets: Property Account, including timber lands, railroad and floats engaged in the lumber, glue, and other allied industrial operations, \$67154412.21; Investments, \$950228.04. Current Assets: Inventories: Leather in Stores, Lumber, and Other Finished Products, \$17353347.05; Hides and Leather, raw and in process, and Other Materials, \$36588335.62; Accounts Receivable, \$8790850; Notes Receivable, \$902080.80; Cash in Banks and on Hand, \$4325982.98; Deferred Charges to Profit and Loss, \$306405.43. The capital stock and liabilities were as follows: Preferred Stock, \$33299050.00; Common Stock, \$30701030.50. Fixed Liabilities: First Mortgage Five Per Cent Bonds, \$36764150; The United States Leather Company Debentures, \$3401000; Real Estate Mortgage, \$100,000. Current Liabilities: Notes Payable, \$1595500; Foreign Drafts, \$585005.54; Accounts Payable, \$1149085.25; Accrued Interest on Bonds and Debentures, \$493561.87; Dividend on Preferred Stock, payable January 1, 1911, \$582732.50. Reserves: Fire Insurance, \$123034.41; Miscellaneous, \$501785.98.

Prepare a consolidated balance sheet for the above in proper form, and show the surplus, arranging the items in the order given.

The profits for the year, after deducting all losses and expenses, were \$3403680.11, and the income from investments was \$144210.24. The deductions from revenue were: Interest on Bonds and Debentures, \$2053387.50; dividend on preferred stock, \$2330930. The surplus on January 1, 1910, was \$4642633.23.

Prepare a consolidated profit and loss statement, showing the balance to surplus, the surplus for January 1, 1910, and the surplus for December 31, 1910.

From the balance sheet, prepare a detailed statement of the quick assets and current liabilities, and show the net surplus, stating which it is — quick assets or current liabilities.

6. In this exercise you will be required to find costs of goods in process and of finished goods, and to distribute burden by the direct labor cost method. (See Cost Keeping, and the paragraphs relating to the same, on pages 279 to 282). Rule nine money columns, full length, on a sheet of foolscap paper, and head the columns as follows: Materials, Labor, Prime Cost, Burden, Factory Cost, Expense, Total Cost, Profit, Selling Price.

From the data given below find the total cost of materials, the total labor cost, and the prime cost of the following goods in process, entering each article separately on the sheet, and heading the section, Goods in Process.

No. 1: M. (materials), \$139.50; L. (labor), \$56.04. No. 2: M., \$141.62; L., \$112.08. No. 3: M., \$104.18; L., \$92.25. No. 4: M., \$75.06; L., \$13.75. No. 5: M., \$92.12; L., \$6.19. No. 6: M., \$112.24; L., \$48.72. No. 7: M., \$124.85; L., \$104.25. No. 8: M., \$152.10; L., \$15.60. No. 9: M., \$176.90; L., \$140.35. No. 10: M., \$210.05; L., \$223.96.

Rule off all columns of this section, and head the next section, Finished Goods.

Next, on the same sheet, find the prime cost of each of the following articles of finished

goods, the total cost of materials, the total labor cost, and the total prime cost: No. 1: M., \$2700.35; L., \$3052.08. No. 2: M., \$2807.25; L., \$3221.52. No. 3: M., \$2102.20; L., \$2603.00. No. 4: M., \$1484.14; L., \$1842.34. No. 5: M., \$1801.82; L., \$2300.32. No. 6: M., \$2303.38; L., \$2655.00. No. 7: M., \$2475.12; L., \$3096.30. No. 8: M., \$3038.08; L., \$3782.84. No. 9: M., \$3517.54; L., \$4254.32. No. 10: M., \$4162.46; L., \$5038.08.

Rule off all columns of this section, and head the next section, Summary.

Find the total costs of materials used in the goods in process, and in the finished goods, and the total labor costs, and show the same in the Summary section. Next find what percentage the labor cost of goods in process bears to the total labor cost, carrying the quotient to three decimal places, and show the same in the explanation column of this section. Then find the percentage of labor cost of finished goods in the same way, and show it in this section.

The overhead charges (Mfg. Exp.) for the period were \$10108.15, and the amount charged off for depreciation was \$4500. Find the total burden, and charge such a part of it to goods in process as you found the cost of labor on these goods to be of the total labor cost. Enter the amount in the Burden column of the goods in process section. Complete this section by finding the factory cost, and extending the amount into the proper column. Foot the columns.

Deduct the amount of the burden on the goods in process from the total burden to find the amount to be distributed over the finished goods. Find the ratio of burden by the direct labor cost method, and distribute the burden over each of the articles, and place the amounts in the proper column. Foot the column. Next find the factory cost of each of the articles, and show the amounts in the proper column. Foot the column.

The selling and general and administrative expenses for the period were \$17635.76. The profit wanted is 20%.

Find the percentage of expense as follows: First, add the amount of the fourth element of cost to the total factory cost, which will give the fifth element of cost, or total cost; second, divide this amount by 100%, less the per cent of profit, to find the total selling price; third, divide the amount of the selling and general and administrative expenses by the total selling price, which will give the percentage of expense. Distribute the expense over each of the articles, and enter the amounts in the proper column. Foot the column.

Find the total cost of each of the articles, and show the amounts in the proper column. Foot the column.

Find the profit on each of the articles and the selling prices of the same, and show the amounts in the proper columns. Foot the columns.

Using the model on page 280, prepare from your cost finding sheet, a diagram of cost finding for the finished goods, and show the results in the Summary section of the sheet. Rule off the section.

The following exercises are given for practice in schools which have adding machines:

7. Prove the postings to your sales ledger by listing first, the charge entries in the original books, second, the charge postings in the accounts in the ledger, and compare the totals; third, by listing the credit entries in the original books, and fourth, the credit postings in the accounts, and compare the totals. Prove the postings in your general ledger in the same way.

8. Prove your Accounts Payable account by listing first, the original credit balance and all your voucher jackets; and second, all paid jackets, and compare the difference in

the totals with the balance of the account, as shown by your balance sheet. Verify the balance by listing the credit, and charge postings, as instructed in No. 7, and find the difference in the totals.

9. List and add the following items: 1423.64, 377.56, 713.86, 338.07, 674.28, 524.08, 289.24, 700.77, 580.02, 1342.86, 472.10, 1447.07, 750.05, 650.25, 657.30, 1028.11, 602.32, 1212.89, 460.67, 1918.70, 236.60, 600.04, 966.37, 1650.38, 103.63, 283.60, 505.53, 595.30, 1404.20, 3331.44, 2202.20, 4406.55, 1777.64.

10. List and add the following deposits and checks, and show the bank balance: Deposits, Balance. — 8375.02. 1. — 1254.06; 2. — 345.04; 3. — 402.53; 5. — 250.40; 6. — 577.59; 7. — 350.87; 8. — 104.56; 9. — 240.57; 10. — 1145.22; 12. — 310.30; 13. — 240.57; 14. — 1161.10; 15. — 250.40; 16. — 1356.52; 17. — 631.30; 19. — 1226.20; 20. — 2142.36; 21. — 703.28; 22. — 592.46; 23. — 177.80; 24. — 111.19; 26. — 302.15; 27. — 817.93; 28. — 412.19; 29. — 1006.04; 30. — 1715.43. Checks: 243.24, 345.67, 1020.50, 65.01, 78.78, 220.34, 354.00, 41.00, 450.70, 66.00, 8.03, 5.00, 749.26, 1104.05, 143.10, 400, 257.75, 1050.00, 444.45, 10.10, 26, 4506.25, 700, 540.34, 2106.78, 1725.50, 346, 444.03, 1223.45, 54.35, 245.87, 1011.36, 104.01, 2775.50, 103.40, 3.13, 181.20, 1623.92, 10.60, 20.10, 53.80, 203, 1781.25, 120.19, 65.22, 13.37, 1210.32.

QUESTIONS

1. Define manufacturing, raw materials, and finished goods.
2. Explain what is meant by "industrial production," and state how it has been affected by the substitution of mechanical for human forces.
3. How do manufacturers dispose of their products?
4. What is meant by the "factory system"?
5. What is the purpose of organization, and how does it affect manufacturing?
6. Explain efficiency, as applied to manufacturing.
7. What do the activities of a manufacturer comprise? What is "stock keeping"? "Cost keeping"?
8. To what do the records of a manufacturing business relate? Explain how these records are kept with reference to what they show.
9. What is the distinctive account in a manufacturing business, and what does it show? How is it represented?
10. What other accounts are peculiar to a manufacturing business?
11. How may expenses be classified, and what are the advantages of such a classification?
12. Explain the analysis book, and state what you think is its use.
13. What is the purpose of a "purchase requisition," or of a "stock report"? Explain what is meant by a "purchase order," and state how it is usually made out, and what is done with it.
14. How are invoices and expense bills usually treated in a manufacturing business? What are necessary to make this system of records complete?
15. What is a voucher jacket? Explain its form and use.
16. Describe briefly the voucher register, and state how it should be proved before posting.
17. Explain the advantages of the form of cash book you used in the Shoe Manufacturing Business.
18. What is an "imprest fund," and how is it treated?
19. What is a "petty cash book," and to what book or books is it subsidiary? What is done with the entries in this book?
20. Explain the use of the stock ledger, and state what is meant by a "perpetual inventory."
21. Explain the two general methods of production in manufacturing, and state some of the commodities to which each method can be applied.

22. Explain the purpose of a cost ledger, as related to manufacturing and its principal objects.
23. What are the steps in cost finding? Using your own figures, draw a diagram of cost finding, and show the stages.
24. What is a requisition order? A "material requisition"? A "labor ticket"? A "pay roll"?
25. How is cost accounting done? Are the primary cost amounts found?
26. What is a cost sheet? A "cost ledger"?
27. Name six wages systems; then explain the two which are most generally used.
28. What is a "cost of production" sheet? What other names are given to it?
29. When and how is a cost order found?
30. Name five methods of spreading burden commonly used in connection with cost systems. Explain each of these methods.
31. What is a "material receipt," and what record is made when one is received?
32. What account in a manufacturing business corresponds to the Purchaser's account in a mercantile business?
33. What is meant by "goods in process," and how is their inventory value found?
34. Name the departments into which a modern shoe factory is usually organized, and the work done in each.
35. What materials are used in the manufacture of shoes?
36. What are "lasts" and "patterns," and what purposes do they serve?
37. How were shoes formerly produced? How are they produced now?
38. Explain the production order used in shoe manufacturing, and give some of the details of its use.
39. Name three processes of sewing the uppers to the soles of shoes, and explain each process.
40. What is an Accrual account? When constructed, for what is it debited? For what credited? What entries are made in this account when the accruals are adjusted?
41. When and how are the accrual and inventory entries adjusted?
42. Explain in detail the Manufacturing account section of the Manufacturing, Trading, and Profit and Loss Statement, and state what the balance shows, and what item is brought down into the Trading account section.
43. How is the gross profit on trading found in the manufacturing business? How the net profit? To what account is the net profit or net loss of a manufacturing corporation carried?
44. Describe the usual form and arrangement of the balance sheet of a business corporation.
45. Explain in detail how you close the accounts in the Manufacturing account section of your statement; in the Trading account section; and in the Profit and Loss section.
46. What entry should be framed, when a dividend has been declared? When it is paid in cash?

APPENDIX I

AUDITING

Auditing is the examining of the entries in books of accounts, and of the subsidiary and supporting records. Such an examination is called an "audit," and a person who makes it is called an "auditor."

The practice of auditing is an established profession. The professional auditor is usually an expert accountant, and many auditors are also certified public accountants, who practice under the authority of a certificate granted them by a State Board of Accountancy, or other similar body, and which entitles such accountants to use the abbreviation C. P. A. after their names.

Object of an Audit.—The principal object of an audit is the detection of errors and fraud in the records; that is, to determine whether or not the records are correct and complete, and the bookkeeping work has been honestly and efficiently done.

Term of Audit.—The space of time covered by an audit is called the "term of audit"; and this may be any time agreed upon between the auditor and his client; as, six months, one year, five years, etc. The first date of the term of audit is called the "initial date," and the last date, the "terminating date."

Kinds of Audits.—Audits are divided, with reference to time when made, into First Audit; Continuous Audit, usually once a month; Periodic Audit, usually once a year; Special Audit, also called an "Inspection," made on behalf of an intending purchaser, a creditor, a retiring partner, or on account of suspected fraud; Final Audit, for the adjustment of a partnership, or on the discontinuance of a business.

Audits are divided, with reference to different classes of business or activities, into Commercial Audits, which include trading, manufacturing, and mining concerns; Financial Audits, which include banks, insurance companies, public service corporations, building and loan associations, societies, clubs, etc.; and Municipal or Public Audits, which include the accounts of towns, cities, counties, states, and governments.

Only commercial audits, as they relate to trading and manufacturing concerns, will be treated in this book. For further information on auditing, the student is referred to the special books on the subject.

Duties of an Auditor.—An auditor should critically examine, or satisfy himself as to the accuracy of, all entries in the books of account made during the period under audit, inspect all available vouchers, and compare them with the records; verify all assets and liabilities as of the terminating date; make a report of his audit; and certify to the accuracy of the balance sheet.

Auditor's Working Papers.—The papers which an auditor uses in making an audit are called "working papers." These include trial balances, abstracts, balance sheets, analysis sheets, etc. In addition to these working papers, auditors use a notebook in which they make records of such matters as will assist them in making their report.

Kinds of Errors.—In examining entries in books of accounts, there are three kinds of errors, the presence of which the auditor should detect, or the absence of which he should prove. These are *intentional errors*, *technical errors*, and *errors of principle*.

Intentional errors are errors made for the purpose of perpetrating or concealing fraud. Technical errors are errors which are made through carelessness, such as posting to the wrong account, mistakes in footing, or carrying footings forward, etc. Errors of principle are of two kinds, viz., those of omission and those of commission. Errors of omission are: failure to provide proper reserves for depreciation of property subject to deterioration, or for shrinkage of values; failure to include in the assets and liabilities amounts accrued but not due, such as interest, insurance, taxes, etc., and prepaid charges. Errors of commission include mistakes made in framing original entries, such as charging or crediting items to capital accounts which should be placed to revenue or expense accounts, or vice versa.

Method of Audit. The general principles of auditing apply to all kinds of audits, but the particular method of making an audit will depend somewhat upon the kind of audit to be made, the class to which the business to be audited belongs, and to the way the books and accounts are kept.

Some auditors check all postings in the ledgers, and verify all extensions and footings in the books of original entry. Other auditors use the analysis method of auditing, by which all general ledger accounts are analyzed on analysis sheets. This method is preferable for certain classes of audits.

Preparation for Audit. — Before beginning an audit the auditor should require that all postings be completed, all footings be inked in, all balances be struck, and a trial balance of the general ledger and abstracts of the subsidiary ledgers be taken, as of the terminating date. The trial balance and abstracts of the initial date should also be in the hands of the auditor.

Vouchers for all payments, and all other available vouchers, should be arranged in proper order.

When possible the cash on hand at the close of the terminating date, excepting petty cash, should be deposited in bank on the succeeding day, and the bank balance should be reconciled as of the terminating date.

Schedules of the inventories of the stock and other property on hand, duly certified, should be ready, as well as a list of notes receivable and payable, and of securities. A list of all overdue accounts should also be prepared.

A trading, profit and loss statement, if a trading concern, and a manufacturing, trading, and profit and loss statement, if a manufacturing concern, and a balance sheet, should be prepared.

And, finally, a complete list of all books, with the names of the clerks in charge of them should be compiled.

Order of Procedure. — The first step to take in making a commercial audit is to prove the cash balance of the terminating date.

Prove Cash Balance. As a preliminary to this step the bank book should be left at the bank to be written up, with a request that this be done as soon as possible. If the audit is begun on the following day, and all cash on hand, excepting petty cash, has been deposited, the check book and petty cash book (excepting when an Imprest Fund account is kept) will show the general cash balance to be proved. If the cash has not been deposited, the currency of the terminating date should be counted and listed, together with any items that may be carried as currency. Next, the checks on hand should be listed, after having been compared with the entries in the cash book, which entries should, of course, be within the term of audit. The amount of these two lists should be added to the balance in the bank in the check book.

If the audit is begun some time after the terminating date, and the cash was not balanced on that date, the cash should be balanced and proved on the beginning day. To this amount all payments since the terminating date should be added, and all receipts deducted to find the terminating balance.

After the cash balance and footing of the general cash book have been proved and checked, the petty cash balance should be proved and the currency listed, if no Imprest Fund account is kept, and the footings of the petty cash book proved and checked. A summary of the cash lists is sometimes made to be incorporated in the report.

Reconcile Bank Balance.—The bank balance should be reconciled as soon as the bank book is returned by the bank, and all deposit entries verified. The vouchers should be inspected, both as to amounts and indorsements, and any discrepancies noted. The existence of the checks which appear to be outstanding should be proven, by communicating with the payees, unless proper vouchers are on file.

Send Statements to Debtors.—Detailed statements of the open accounts in the sales ledger, showing the balances on the initial date, and the charges and credits from that date to the terminating date, with proper explanation of each item, should be sent in self-addressed and stamped envelopes to the debtors, with request to examine the statements and return them promptly to the auditor, with their approval or disapproval, and nature of the same noted thereon. When these statements are returned, they are compared with the accounts, and such accounts as are found to be in agreement are marked *Correct*. Note should be taken of any errors or omissions, and these should be investigated.

Request Statements from Creditors.—Requests should be sent to creditors with whom there are open accounts for complete statements of the client's account covering the term of audit, accompanied by self-addressed and stamped envelopes.

When these statements are returned, they are compared with the accounts, and such accounts as are found to be in agreement are marked *Correct*. Note should be taken of any errors or omissions, and these should be investigated.

While the statements are being returned and received, the auditor will be proceeding with the auditing of the other accounts.

Audit Notes Receivable.—The notes receivable on hand should be carefully examined to see that none are fictitious; and if the auditor has any doubts as to the validity of a note, he should communicate with the apparent maker, and obtain from him a verification of its genuineness or falsity. Notes that have been left at the bank for collection should be verified by obtaining a certified list from the bank. The notes and the list should be compared with the schedule and checked, but not stamped, and the footing of the schedule should be checked with the balance of the Notes Receivable account. Notice should be taken of any past due notes which are unsecured, and these should be charged back to the accounts of the makers through adjustment entries in the journal at the conclusion of the audit.

Some auditors when so authorized frame and post adjustment entries to correct errors or omissions, as these are detected in the progress of the audit, while others defer this work until the concluding stage of the audit.

Customers' notes which have been discounted and not paid are a contingent liability. A list of these should be made, and note should be taken whether or not a reserve has been provided for contingent liabilities.

If any securities, such as stocks, bonds, etc., appear in the assets, these should be carefully inspected, and compared with the schedule, the footing of which should be verified, and checked with the account or accounts in the ledger.

This concludes the preliminary steps usually taken in making an audit.

Audit General Cash Book.—The general cash book should now be audited, and as intentional errors are more frequently made in this book than in any other, the auditor should be constantly on the lookout for evidences of fraud while auditing the cash book. As a special precaution against overlooking false cash entries in the accounts, the cash items in the ledger should be checked into the cash book, which is the reverse of the usual checking procedure. Note should be taken of items which do not check, either in the ledger or the cash book, and proper investigation made.

Debit Side.—The debit side of the cash book should be audited first. The balance of the initial period should be compared with the cash balance as shown by the initial trial balance, and checked, if found to agree. The cash items on the credit side of the general ledger, including the controlling accounts, should next be checked individually into the cash book, and if there are any available vouchers for the entries, they should be examined and the entries compared with them, after which each voucher should be stamped *Audited*, to prevent it being used again for this purpose.

When the analysis method is used, the accounts in the general ledger would be analyzed on analysis sheets before the auditing of the cash book is begun, and the cash totals would be checked into the cash book.

Auditors usually stamp audited vouchers, excepting securities, notes payable, deeds, etc., with a rubber stamp, which contains the word *Audited*, and the name or initials of the auditor.

The entries for the items in the Accounts Receivable column of the cash book will remain unchecked, but the total receipts from customers during the term of audit have been checked through the controlling account, which may be accepted at this time as proof of the accuracy of the items. If any errors exist in these items, they will be found when the statements sent to customers are returned.

When other special columns are used, such as *Midse.*, *Disct.* and *Sales*, the items in these columns will of course also remain unchecked, but the monthly totals will be checked through the accounts in the general ledger.

The footings of all of the columns on the receipts side of the cash book should be verified for the entire term of audit.

Credit Side.—After all the general column entries and the footings of the special columns of the debit side of the general cash book have been checked, the credit side of that book should next be audited by checking the debit cash entries in the general ledger, including the controlling accounts, into the general cash book. There should be a voucher in some form, as a returned check, a receipt, or a canceled note, for every entry on this side of the cash book, excepting for the entries representing outstanding checks; and even for some of these there may be receipts or acknowledgments. All returned checks should be compared with the entries to see if they agree, both in respect to name of payee and amount, and the indorsements should be inspected, after which the checks should be stamped *Audited*. The outstanding checks should be checked from the reconciliation of bank balance against the entries representing them in the cash book, and the entries proved, when possible, by receipted invoices or other vouchers. The receipts for currency disbursements should be inspected, compared with the entries, and stamped. The collection and exchange items in the cash book, or on the collection and exchange slips, should be verified through the check book and bank book, and the totals through the general ledger. When slips are used they should be stamped.

The totals of the Accounts Payable column in the cash book are checked through the entries in the ledger, and the entries representing these totals are checked through the purchase ledger, or the voucher register, when the Voucher System of accounting is used.

Audit Petty Cash Book. — The petty cash book should next be audited, and the supporting vouchers inspected and stamped.

Inspect and Stamp. — After both sides of the cash books have been audited, these books and the general ledger and the purchase ledger, or voucher register, should be inspected for unchecked cash entries. If any exist, they should be noted and investigated. When the cash books have been audited, the auditor should stamp or initial each page to show that fact, and this should be done with every book audited.

Verify Abstract of Purchase Ledger. — Verify the balances as shown on the abstract of purchase ledger with the accounts in that ledger, or in the voucher register, checking each account found to agree, and then check the footing of the abstract with the balance of the controlling account.

Audit Purchase Book. — In auditing the purchase book — invoice book (when used as a book of original entry), purchase journal, or voucher register — the footings for the entire term of audit should be verified, and the totals for each month checked with the controlling account. The credit entries in the purchase ledger accounts should be supported by invoices, properly certified, and the debit entries by returned checks, by return book and allowances book, or journal, entries. And the original debit entries should be supported by proper vouchers, which should be examined.

The monthly statements from creditors will serve to verify the accuracy of the accounts in the purchase ledger, or of the entries in the voucher register. A more satisfactory method would be to check all entries for purchases direct from the original invoices, and all credits from the books of original entries. All vouchers should of course be stamped at the time they are compared with the entries.

Audit Voucher Register. — The entries in the voucher register are supported by voucher jackets and voucher checks, and these should be compared and checked, and the vouchers stamped. The footings of the columns of the register should be verified and checked against the accounts in the general ledger. The items in the Miscellaneous columns should be analyzed and checked against the entries in the analysis book. The footings of the analysis book should be verified and checked against the footings of the proper columns in the register.

Verify Abstract Sales Ledger. — The next step to take is to verify the abstract of the sales ledger, by comparing the balances as shown thereon, with the accounts in the sales ledger, checking each account found to agree, and then compare the footing of the abstract with the balance of the controlling account — checking the two amounts if they agree, and noting any changes if they do not agree.

Audit Sales Books. — Whether sales books or sales journals are kept, the footings for the term of audit should be verified, and the monthly totals compared with the entries in the controlling account. It is not usually practicable or desirable to verify the extensions or footings of the individual charges in the sales book, as it may be assumed that these were verified before the bills were sent out. Neither is it usually practicable to check the individual charges to the personal accounts in the sales ledger. The balances of these accounts should be checked from the statements sent to customers, when they are returned. If any are not returned, the accounts which they represent should of course be checked, but every effort should be made to have the statements returned.

Audit Return Books. — All entries in the return books, both purchase and sales, should be examined with the vouchers or supporting records, and checked against the entries in the

discrepancy. The footings should be verified and checked with the entries in the controlling accounts.

Audit Journal. Special care should be taken in auditing the journal, as it is to this book that resort is often made to fasten the records. As now generally used, the journal contains comparatively few entries, and these should be authenticated and checked against the entries in the accounts in the ledgers. Any errors or doubtful entries should be noted and investigated. The footings for the term of audit should be verified, and the footings of the special columns checked against the entries in the general ledger.

Verify Schedules. The schedules of assets and liabilities not already verified should now be examined. The auditor should see that the inventories of merchandise and other property have been properly O.K.'d and certified as to the fact that the property represented by the schedules has been purchased and is now on hand. Also that the merchandise stock was inventoried at prices not exceeding the original cost or current market value, whichever is the lower. The auditor should satisfy himself as to the correctness of the extensions and footings of the merchandise inventory schedules. This he may do by making random tests on the schedules; that is, by verifying the extensions and footings here and there. If correct, the total footing of the merchandise inventory schedules should be checked with the corresponding amount on the profit and loss statement, and on the balance sheet.

The accuracy of the other property schedules should be verified and checked, care being taken to see that proper allowances were made for depreciation. Any errors or omissions found in the schedules should be noted for adjustment. All accrued, but not due, assets and liabilities, and all prepaid charges (deferred charges) should be determined, and if any were omitted from the records, they should be listed and noted for adjustment.

Conclusion of Audit. After all of the books and supporting records have been audited, as heretofore explained, the books of original entry should be inspected to see if all entries requiring to be checked, and all footings, are checked. Note any errors not previously noted, and investigate the same. The accounts in the sales ledger should be examined to see if these have all been marked "correct," to show agreement with the statements sent to customers, and to note any differences. The purchase ledger, or the Vouchers Payable entries in the voucher register, should be examined in the same way, and any errors noted.

The accounts in the general ledger should be inspected, and refooted for the term of audit, and any errors noted. Verify the trial balance by checking each amount against the corresponding account in the ledger.

For the purpose of rating the accounts in the sales ledger into the three classes, "good," "doubtful," and "bad," the auditor may obtain assistance from the credit man, or some member of the firm, or officer of the corporation; but he should use his own judgment in making the ratings.

Adjustment Entries.—If errors were detected during the progress of the audit, these should now be adjusted to bring the books into agreement with the facts, as shown by the auditor's balance sheet. This is done by framing proper entries in the journal and posting them to their respective accounts. The data for these adjustment entries will be found in the auditor's notebook and on his working papers.

Preliminary Trial Balance. A preliminary trial balance should now be taken of the general ledger, as of the terminating date, including adjustment entries; also, abstracts of the purchase and sales ledgers, and these should be compared with the controlling accounts.

Profit and Loss Statement. A trading, profit and loss statement, if a trading concern, and a manufacturing, trading, and profit and loss statement, if a manufacturing concern, should now be made out, and this should show the trading activities, or manufacturing and trading activities, the revenues and expenses, the true net profit or net loss, and the disposition of the profit, or the adjustment of the loss. Proper schedules to support the statement should also be made.

Balance Sheet.—The balance sheet should show in condensed form the actual assets, liabilities, and present worth, or capital and surplus, or deficit, of the concern on the terminating date, and should be supported by proper schedules.

If an individual or partnership concern, the assets and liabilities are usually arranged on the balance sheet in the order of current and fixed, and the proprietor's or partnership items are placed after the liabilities. If a corporation, the assets and liabilities are stated in the order of fixed and current, and the capital stock is placed before, and the surplus after, the liabilities. If there is a deficit, it is shown after the assets.

Auditor's Report.—After the audit has been concluded, the statement, schedules, and balance sheet have been made out, and the books are in agreement with the same, the auditor should make a statement to his client of conditions as he found them. This is called the "auditor's report."

The auditor's report usually contains a balance sheet, styled "Exhibit A," and supporting schedules, which are styled, "Exhibit A—Schedule 1," "Schedule 2," etc.; a Profit and Loss statement, Exhibit B, and schedules; and a copy of the adjustment entries, Exhibit C. If the report is unqualified, the balance sheet is certified by the auditor.

The following is the usual form of auditor's certificate attached to the balance sheet:

We have examined the books of the Wilson Leather Company for the year ending Dec. 31, 1910, and we certify that in our opinion the above Balance Sheet sets forth the true financial position of the company on that date, and that the relative Profit and Loss account is correct.

54 WILLIAM ST., NEW YORK,

Feb. 21, 1911.

PRICE, WATERHOUSE & CO.

Chartered Accountants.

If the report is qualified, the balance sheet is certified subject to the qualifications set forth in a separate statement, Exhibit D, and "This exhibit is subject to the qualifications set forth in Exhibit D" is written at the bottom of the balance sheet. Exhibit D contains comments on the examination, and states the reasons why the auditor qualifies his certification as to the correctness of the assets and liabilities shown in his report. It also frequently contains suggestions for the improvement of the system of accounting in use by the client.

EXERCISES

The following exercises are intended to give the student such practice in auditing as will enable him to thoroughly comprehend the principles of the subject, and to become familiar with the usual procedure in making a commercial audit. While the schoolroom has its limitations in matters of this kind, as compared to the business office, the books of student bookkeepers provide good "cases" for the student auditor, and he should perform the work with the same care he would use if in actual practice.

For all working papers, notebooks, and reports, loose paper may be used. If no rubber stamp is available, the student will write *Audited* and his initials where the stamp would be used.

1. Audit the books of Taylor, Wood & Co. for August or for September (whichever your teacher may direct), which will represent a fiscal period.

Apply to your teacher for the books and supporting records of some other student, and having obtained them, read again "Preparation for Auditing," page 312. Next proceed with the auditing in general accordance with the instructions given in "Order of Procedure," page 312, and following paragraphs. You will not be required to send statements to debtors, or requests for statements from creditors. Only such vouchers as would be found in actual business should be used in making your audit. Separate the others from these.

You are at liberty to use either the straight checking method or the analysis method of auditing in performing this work. If you decide to use the analysis method, prepare an analysis sheet as one of your working papers, and analyze the accounts in the general ledger. Verify the original entries by the vouchers, and check the totals of the columns of the books with the totals of the corresponding columns on your analysis sheets.

Make careful notes in your notebook of any errors which you detect, but do not make any corrections in the books. After completing your audit, make a report including the necessary exhibits and schedules. In making Exhibit B, show the results in condensed form only, and give the details on the schedules. That is, show the gross revenue, the operating expenses, and other deductions from revenue, the net profit, and the disposition of the same.

Hand the report, exhibits, and schedules, together with the books and the vouchers, to your teacher.

2. Audit the books of the W. J. Hilton Shoe Company for December, which will represent a fiscal period.

Apply to your teacher for a set of books and accompanying vouchers, and proceed as instructed in No. 1. Strive to improve on your previous effort, and take special pains with your report.

Make Exhibit A in consolidated form. That is, state the different assets and liabilities in totals, and when necessary support by schedules. This applies particularly to the current asset inventories, and also to the Accounts Receivable, Notes Receivable, etc.

In making Exhibit B, show gross sales, returned goods, net sales, cost of net sales (support by Exhibit B, Schedule 1, which will show the Manufacturing account in detail), gross profit on trading, and state the percentage on sales and on cost. Show also the deductions for selling expenses, total selling expenses, and percentage, based on the gross profits; the deductions for general and administrative expenses, total of the same, and the net profit on trading.

*Hand your report, together with the books and vouchers, to your teacher.

QUESTIONS

1. Explain what is meant by (a) "auditing," (b) "audit," (c) "auditor."
2. Of what is C. P. A. the abbreviation?
3. Explain how a person may become a C. P. A. in your state.
4. What is the principal object of an audit?
5. What is meant by "term of audit," and what may it be?
6. What are the names of the first and last dates of the audit term?
7. Name the different kinds of audits as regards (a) time when made, and (b) classes of business activities.

8. What are the duties of an auditor ?
9. What is meant by an "auditor's working papers" ?
10. Name and explain the errors the presence of which an auditor should detect, or the absence of which he should prove, in making an audit.
11. State what preparation should be made for an audit.
12. State briefly the steps to take in making a commercial audit.
13. How is the cash proved when the audit is begun some time after the terminating date ?
14. What book or books should an auditor examine with special care for the detection of intentional errors ?
15. What evidence should an auditor generally require that the original entries are in accordance with the facts ?
16. How do auditors indicate that they have examined an entry ? a voucher ?
17. What should be done when an error is detected in making an audit ?
18. How are the books brought into agreement with the facts, as found by the auditor ?
19. What does the auditor's report contain ?
20. If the auditor is unable or unwilling to certify to the accuracy of the balance sheet, how may he indicate that fact ?

BILLS ON TARIFFS

Uniform Bill of Lading—Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania **Railroad Company.**
ORDER BILL OF LADING—ORIGINAL.

Shippers No. _____

Agents No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of issue of this Original Bill of Lading,

at *Philadelphia, Pa.* *May 7, 19*

from *H. J. Adams*
 order, except as noted contents and condition of contents of packages unknown, marked, consigned and destined as indicated below, which said consignee agrees to carry, hold, load, place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time intervening in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of this Original **ORDER** Bill of Lading properly indorsed shall be required before the delivery of the property. Inspection of property covered by this bill of lading will not be permitted unless provided by law or unless permission is indorsed on this original bill of lading or given in writing by the shipper.

The Rate of Freight from _____

to _____ is *n* Cents per 100 Lbs.

| IF Times 1st | IF 1st Class | IF 2d Class | IF Rule 25 | IF 3d Class | IF Rule 26 | IF Rule 27 | IF 4th Class | IF 5th Class | IF 6th Class | per | IF Special | IF Special |
|--------------|--------------|-------------|------------|-------------|------------|------------|--------------|--------------|--------------|-----|------------|------------|
| | | | | | | | | | | | | |

Consigned to **ORDER OF** *First Natl Bank* (Mail Address—Not for purpose of Delivery)Destination, *Scranton, Pa.* State of *Pa.* County of _____Notify *Scranton, Pa.*At *Scranton, Pa.* State of *Pa.* County of _____

Route, _____ Car Initial _____ Car No. _____

| NO. PACKAGES | DESCRIPTION OF ARTICLES AND SPECIAL MARKS | WEIGHT
Subject to Correction | CLASS OR RATE | CHECK COLUMN | If charges are to be prepaid, write or stamp here, "To Be Prepaid." |
|--------------|---|---------------------------------|---------------|--------------|--|
| 15 | <i>Spice Tea</i> | 1650 | | | |
| 5 | <i>Boas Coffee</i> | 1045 | | | |
| 5 | <i>Boas Pepper</i> | 55 | | | |
| 5 | <i>Boas Cloves</i> | 55 | | | |
| | | | | | Received \$ _____
to apply in payment of the charges on the property described hereon |
| | | | | | Agent or Cashier |
| | | | | | Per _____
(The signature here acknowledges only the amount prepaid.) |
| | | | | | Charges Advanced.
\$ _____ |

Per *H. J. Adams* ShipperPer *H. J. Adams* Agent.

(This Bill of Lading is to be signed by the shipper and agent of the carrier issuing same.)

For use in connection with the Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania **Railroad Company.**
THIS MEMORANDUM Is an acknowledgment that a bill of lading has been issued and is not the Original Bill of Lading, nor a copy or duplicate, covering the property named herein, and is intended solely for filing or record.

Shippers No. _____

Agents No. _____

RECEIVED, subject to the classifications and tariffs in effect on the date of the receipt by the carrier of the property described in the Original Bill of Lading,

at *Philadelphia, Pa.* *May 17, 19*

from *H. J. Adams*
 order, except as noted contents and condition of contents of packages unknown, marked, consigned and destined as indicated below, which said consignee agrees to carry, hold, load, place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time intervening in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of the Original **ORDER** Bill of Lading properly indorsed shall be required before the delivery of the property. Inspection of property covered by the bill of lading will not be permitted unless provided by law or unless permission is indorsed on the original bill of lading or given in writing by the shipper.

For use in connection with the Standard form of Order Bill of Lading approved by the Interstate Commerce Commission by Order No. 787 of June 27, 1908.

Pennsylvania **Railroad Company.**
THIS SHIPPING ORDER must be legibly filled in, in Ink, in Indefinite Pencil, or in Carbon, and retained by the Agent.

Shippers No. _____

Agents No. _____

RECEIVE, subject to the classifications and tariffs in effect on the date of issue of this Shipping Order,

at *Philadelphia, Pa.* *May 17, 19*

from *H. J. Adams*
 order, except as noted contents and condition of contents of packages unknown, marked, consigned and destined as indicated below, which said consignee agrees to carry, hold, load, place of delivery at said destination, if on its road, otherwise to deliver to another carrier on the route to said destination. It is mutually agreed as to each carrier of all or any of said property over all or any portion of said route to destination, and as to each party at any time intervening in all or any of said property, that every service to be performed hereunder shall be subject to all the conditions, whether printed or written, herein contained (including conditions on back hereof), and which are agreed to by the shipper and accepted for himself and his assigns.

The surrender of the Original **ORDER** Bill of Lading properly indorsed shall be required before the delivery of the property. Inspection of property covered by the bill of lading will not be permitted unless provided by law or unless permission is indorsed on the original bill of lading or given in writing by the shipper.

FORMS OF INDORSEMENT

An Indorsement is a signature or other word or mark written on the back of a paper.

Indorsements are of three kinds:

Blank Indorsement.—To indorse a paper in blank is to sign it without any other words.

Full Indorsement.—A full indorsement consists in writing on the back of a paper an order to pay to the indorser or to some other person, in the face of the paper, the sum of money which is the amount of the paper, and the name of the indorser.

When a paper is indorsed in blank as above described, the indorser may write above the name of the person to whom he is making it a full indorsement.

There are three kinds of indorsement are the following:

Qualified Indorsement.—This is often called an indorsement "without recourse." It may be either blank or full. The words "without recourse" written above the indorser's name release him from responsibility for the payment of the paper.

Restrictive Indorsement.—A restrictive indorsement restricts the payment of the paper to some particular person named, by writing the word "order" and adding the word "only" to the name of the person.

Indorsement for Deposit or Collection.—When a paper is left to a bank for collection or for deposit, this may be indicated by writing "For Collection" or "For Deposit," above the indorsement, although some banks object to this.

Where and How to Indorse Name.—As a matter of business practice, all indorsements should be placed on the back of the bill, at the end of the paper, about one inch and a half down from the end.

When a person signs a note or draft, one should write the name as it is on the face of the paper, and if this differs from the signature on the note, or contains errors of any kind, the correction should be placed immediately underneath it. For instance, if a check is made payable to Henry C. Miller, and the payee's customary business signature is H. C. Mueller, he should first indorse his name as Henry C. Miller and then place his correct signature under it.

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